Nurminen Logistics

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Käänteen myötä vaihdetaan kasvuraiteille” published on 11/19/2021 at 8:00 am

Turnaround helps switch to growth track

Strong growth in the past year, the profitability turnaround and strengthened financial situation have clearly lowered Nurminen Logistics' risk profile. We believe the company has excellent conditions for continued earnings growth as the China and Asia cargo train accelerates, although the growth rate involves uncertainty due to the early development stage of the market. Despite the uncertainty, we find the risk/return ratio of the share attractive following our significant positive estimate revisions. We raise Nurminen's recommendation to Accumulate (previously Reduce) and revise our target price to EUR 1.70 (previously EUR 1.10).

The company's direction has turned quickly

Nurminen is a versatile logistics service company whose services today include railway transport between Asia and Finland and in the Baltic region. In addition, the company provides various terminal and forwarding services. In recent years, the company has struggled with considerable profitability challenges, especially related to expensive lease agreements for terminal properties. The company solved this problem at the end of last year by acquiring a majority of the terminal property in Vuosaari in Helsinki, Finland. At the same time, the company has achieved strong growth with favorable market conditions and as the growth of the company's growth spearhead, the Asia and China container train, accelerated. We believe the Asia container train has considerable growth potential also in future thanks to its speed and growing environmental requirements. However, there is still a lot of uncertainty in this growth picture due to the early stage of the market. The normalization of the market situation of the main competitor of rail freight, conventional sea freight, can change the competitive landscape.

We expect the China and Asia railway connection to drive company growth in coming years

We expect the company's net sales growth to be at a high 66% level this year, especially thanks to the railway connection with China and Asia and the strong growth of the Baltic businesses. We estimate that the volume growth of the Asia railway connection will continue as strong in coming years, and on the other hand, that the growth rate will be cut by price normalization. At Group level, growth in the next few years will be cut especially by the expected return to a more normal level in net sales from Baltic operations as prices decrease. Considering this overall picture, we expect the company's net sales growth to be slightly below 4% on average in 2022-2024. Thus, we do not expect the company to meet its medium-term financial objectives in terms of net sales without acquisitions to support growth (cf. 2023e net sales: 146 MEUR vs. 2023 net sales target: 200 MEUR). However, our confidence in the sustainability of the company's profitability turnaround has increased due to the growth in the Asia railway connection, and we expect the company to reach its profitability target already next year (2022e EBIT-%: 9.4% vs. financial target EBIT-% over 9%). Therefore, we expect the company's earnings growth to be strong over the next few years.

Return expectation for next few years and long-term potential attract to jump on board the share

Adjusted P/E ratios for 2021 and 2022 based on our estimates are 17x and 12x. Thus, the earnings-based valuation seems attractive from next year's perspective if our earnings growth estimate materializes. Based on the value indicated by our sum of the parts calculation (EUR 1.4-1.8 per share) the share price is not particularly demanding either. This overall picture is also supported by our DCF calculation, which is well above the current price and best considers the long-term potential of the Asia railway connection. With the earnings growth we estimate for the next few years, increasing dividend yield of some 1-3% and decreased risk profile, we find the risk-adjusted return expectation of the share attractive.

Recommendation

Accumulate
(previous Reduce)

EUR 1.70
(previous EUR 1.10)

Share price:
1.53

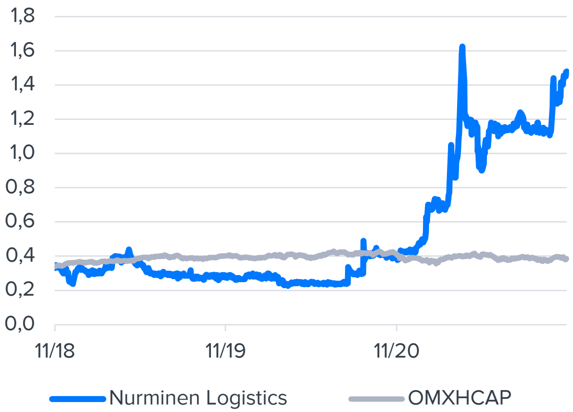
Key figures

	2020	2021e	2022e	2023e
Revenue	80.7	134	146	146
growth-%	16%	66%	8%	1%
EBIT adj.	0.4	11.2	13.8	14.0
EBIT-% adj.	0.5 %	8.4 %	9.4 %	9.5 %
Net Income	-4.2	4.3	8.4	8.8
EPS (adj.)	-0.08	0.09	0.13	0.14
P/E (adj.)	neg.	17.4	11.6	11.0
P/B	5.0	8.2	5.5	4.2
Dividend yield-%	0.0 %	1.3 %	2.0 %	2.6 %
EV/EBIT (adj.)	>100	14.7	11.4	10.6
EV/EBITDA	21.8	13.4	9.5	9.0
EV/S	1.3	1.2	1.1	1.0

Source: Inderes

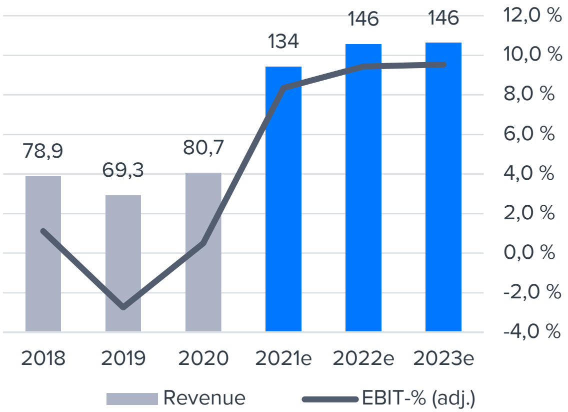
Nurminen Logistics expects that net sales (2020: 80.7 MEUR) and operating profit (2020 reported EBIT: -0.2 MEUR) will grow significantly in 2021.

Share price



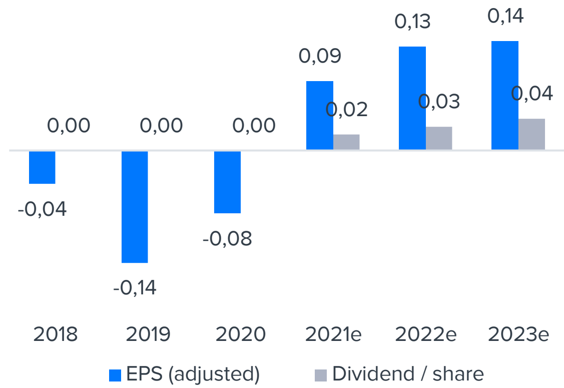
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Growth in China and Asia railway connection
- Sustainable improvement in profitability
- Change in the valuation picture from a turnaround company to a growth company
- Corporate restructuring

Risk factors

- Dwindling of the growth of the Asia railway connection
- Likely downward pressure on prices when market balance returns
- As a result of the Baltic operations and the ownership structure of the Vuosaari terminal, a significant share of the operating result will flow to minorities for the time being
- Lack of comprehensive logistics skills on the labor market

Valuation	2021e	2022e	2023e
Share price	1.53	1.53	1.53
Number of shares, millions	77.1	77.1	77.1
Market cap	118	118	118
EV	165	157	149
P/E (adj.)	17.4	11.6	11.0
P/E	10.1	14.0	13.3
P/B	8.2	5.5	4.2
P/S	0.9	0.8	0.8
EV/Sales	1.2	1.1	1.0
EV/EBITDA	13.4	9.5	9.0
EV/EBIT (adj.)	14.7	11.4	10.6
Payout ratio (%)	13.2 %	27.4 %	34.9 %
Dividend yield-%	1.3 %	2.0 %	2.6 %

Source: Inderes

Contents

Nurminen Logistics in brief

Nurminen Logistics offers logistics services. Its service offering includes, e.g., railway logistics, as well as terminal and forwarding services.

1886
Year of establishment

2008
IPO

EUR 107 million
Net sales H1'21 (TTM)

EUR 5.5 million
Adjusted EBIT H1'21 (TTM)

56% / 23% / 12% / 9%
Share of the Baltic business/China and Asia railway connection/Terminal services/ Forwarding of net sales in H1'21

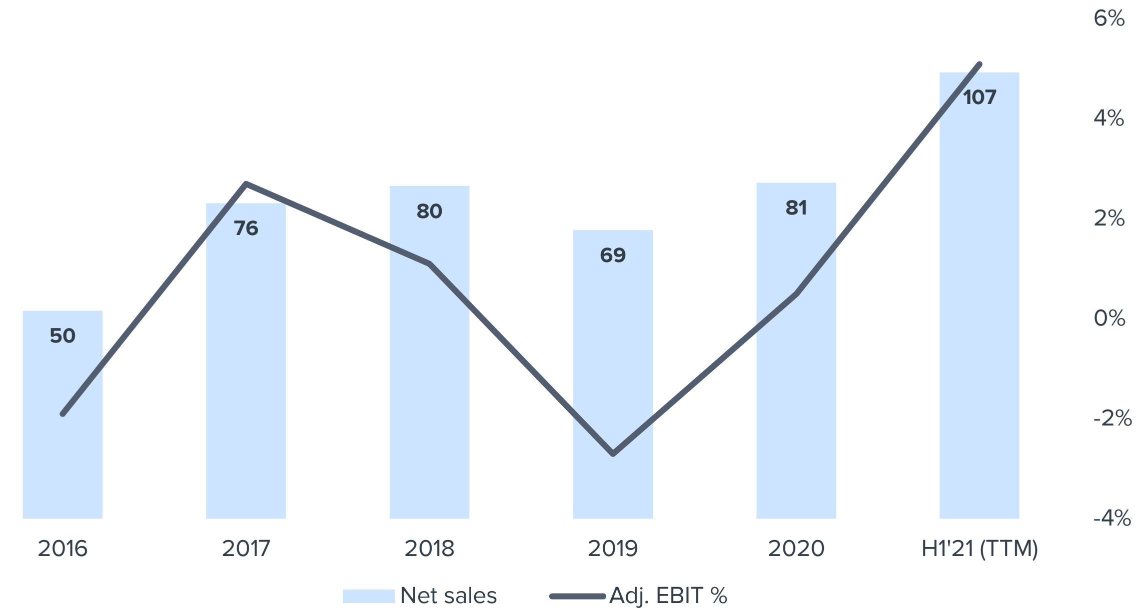
145
Personnel at the end of H1'21

2016-H1'20

- Nurminen launches a railway connection to China and Asia, which is practically being built from scratch
- The company abandons its own railcars in rail services, and the share of Russian operations thus decreases clearly
- The company has several long property lease agreements clearly above market prices (especially the Vuosaari terminal property), that depress profitability for several years
- Equity turned negative at the end of H1'20

H2'20-2021

- The company carries out a directed share issue to improve equity and finance the acquisition of the Vuosaari terminal property
- The company also makes other real estate arrangements and efficiency measures that clearly improve the cost structure
- The railway connection to China and Asia accelerates to strong growth due to persistent work and sea freight problems
- The company achieves strong growth at Group level, which also drives profitability to better levels



Source: Nurminen Logistics, Inderes

Company description and business model 1/5

International logistics service company

Nurminen Logistics is a logistics service provider operating in Finland, the Baltic countries and Russia, as well as on the rail freight market between Asia and Europe. The company seeks the most reliable and high-quality logistics service in all its business segments and areas. In 2020, the company's net sales was EUR 80.7 million (2019: 69.3 MEUR) and adjusted EBIT was EUR 0.4 million (2019: -1.9 MEUR).

According to the nature of the logistics sector, Nurminen is a service company whose business is to provide its customers with (integrated) logistics solutions for the transfer of products and related management. Thus, the company's organizational structure is light and simple, and largely consists of sales and clerical employees, as the company uses a lot of subcontracting to produce its services. In H1'21 the company employed an average of 145 people, of whom 32 worked outside Finland.

Business activities support each other well

Nurminen has a long history in the logistics sector and currently has five mutually supportive business activities. However, the company reports its financial development as a whole at Group level, excluding net sales. The company's current business activities are:

Cargo train business in China and Asia includes the company's regular cargo train services between Finland and China and various Asian cities. The cargo train offers faster and environmentally friendly transport alternatives to conventional sea freight for customer companies. Nurminen uses a large network of partners to provide the service, and thus the share of subcontracting in the total service is considerable. Nurminen's own operations focus particularly on customer service and management. With the high share of subcontracting the relative margin of the business is not high, but on the other hand, the business model ties very little company resources in personnel and fixed assets, which allows a relatively good return on equity. The company launched the Asia cargo train business several years ago, but it has clearly started to accelerate in the last year. The company has not reported annual net sales of its business activities, but the net sales of the Asia railway connection increased by as much as 255% y-o-y in H1'21 to EUR 14.5 million, representing 23% of Group net sales.

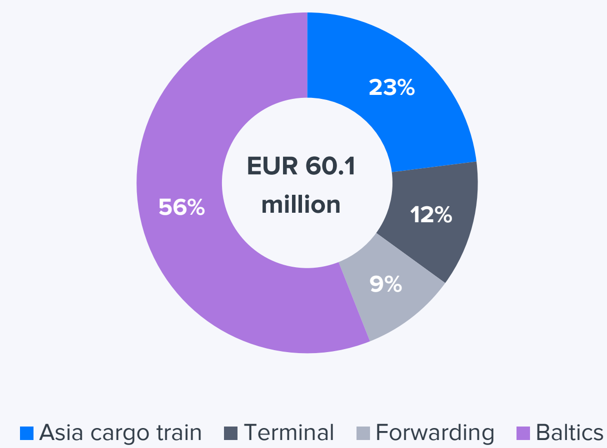
Terminal services include, e.g., export traffic containerization and import traffic cargo handling at company terminals in the Vuosaari and Kotka ports, and in Vainikkala, which is close to the Russian border station along the railway line. The company also offers additional services in terminals, such as warehousing of dangerous chemicals (Kotka), repackaging and sampling. In Terminal services, high utilization rates are a vital business condition because of the high fixed cost structure. In recent years, Terminal services have suffered from poor profitability due to underutilization compared to the cost structure, which has also depressed the Group's profitability. However, because of the efficiency measures taken by the company, its profitability increased in H1'21 and turned clearly into black. In H1'21, Terminal services accounted for 12% of the Group's net sales.

Nurminen Logistics

Company's main services:

- Rail transport between Asia and Finland and in the Baltic countries
- Terminal services
- Forwarding
- Outsourcing services

H1'21 net sales by business operation



Source: Nurminen Logistics, Inderes

Company description and business model 2/5

Forwarding is outward and inward clearance, as well as transit traffic clearance. Forwarding services will prepare all of the customer's document needs in international trade. There is no information available about the profitability of Forwarding, but we believe it is the company's most profitable business in relative terms. We believe, the company's aim is to increase the degree of digitalization and robotics used in forwarding, which we expect will continue supporting the margins of the business also in future. Forwarding accounted for 9% of the Group's net sales in H1'21.

Baltic businesses include local railway logistics management, i.e., similar business to what the company does to Asia. Nurminen's holding of the Baltic operations is 51%, whereas the local management has a significant minority of 49%. We believe the segment has generated most of Nurminen's result in recent years. In H1'21, the Baltic operations were by far the largest business activity also measured by net sales, representing 56% of the Group's net sales.

Outsourcing services is the company's new service launched in April 2021 and is targeted especially at the Finnish SME sector involved in international trade. Through the service, companies can outsource international logistics related operations to Nurminen and, on the other hand, it offers Nurminen opportunities to build longer value chains for the benefit of the customer by using its own diverse expertise, like railway, terminal and forwarding expertise. The service is still in its early stages and therefore its importance for Nurminen is limited.

Developments in recent years

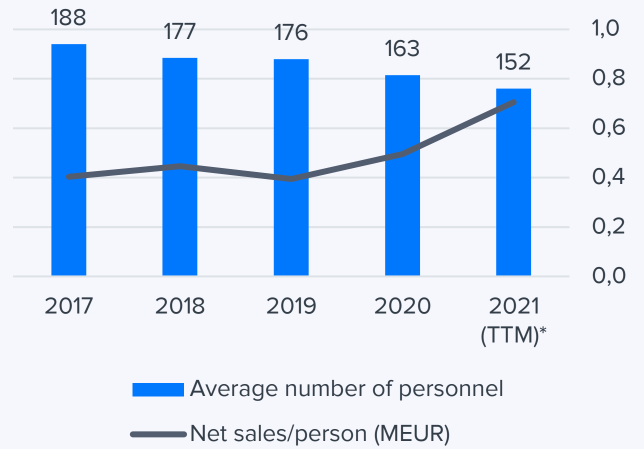
Logistics is a cyclical sector and consequently general economic cycles and the ups and downs in exports and imports on Nurminen's main markets have been heavily reflected in its historical development. In recent years, extremely expensive rental agreements of terminal properties formed a headache for the company, the most important being the lease agreement of the Vuosaari terminal. This problem that burdened profitability for a long time – which also resulted in equity temporarily being in red last year – was resolved at the end of 2020 with a directed share issue to domestic investors. With the help of the issue, the company acquired a majority stake in the real estate company Ilmarinen that owns the Vuosaari terminal property. With this and the new lease agreement, the company's annual rental expenses decreased significantly and the issue also improved the balance sheet. With the arrangement, Nurminen owns 51% and Ilmarinen 49% of the real estate company. We believe the success of the Vuosaari arrangement was partly due to Ilmarinen's large holding in Nurminen (11.8% at the end of 2020). Ilmarinen also increased its holding in the company in early summer 2021 by converting a EUR 1.25 million hybrid loan into company shares.

In addition, the company's previous lease agreements in Kotka and Hamina have ended, which further decreased the rent expenses related to premises. In our opinion, the company is not planning on acquiring anymore rental premises, but to operate in buildings it owns in the future.

Significant events after H1'20

- Equity turned negative in connection with the H1'20 result
- The company's long-term lease agreement at the Kotka terminal ended in late autumn 2020, after which the operations were centralized to the company's own premises
- The company arranged a directed share issue to improve its balance sheet position and finance the acquisition of the Vuosaari property
- The lease agreement at the Hamina terminal was dissolved during H2'20 and operations there ended in spring 2021
- The Luumäki terminal and office property was rented out (overall impact low)
- Ilmarinen converted a EUR 1.25 million hybrid loan into company shares in late spring 2021
- Strong growth in railway connection in China and Asia, due to persistent work and sea freight problems

Number of personnel and productivity development



Source: Nurminen Logistics, Inderes

Company description and business model 3/5

The company has also recently made significant operational efficiency improvements, which has decreased its own personnel over the last year (145 persons at the end of H1'21 vs. 171 persons in H1'20). The company has also recently made strategic choices aimed at improving operational efficiency, such as shifting Terminal services towards value added services. The efficiency measures, real estate arrangements and Asia rail freight business that has reached a high growth rate, have been reflected in the company's operational activities and have clearly improved its profitability.

Logistics value chain

The logistics process can be divided into different parts, some of which are operated by Nurminen themselves and others through its partners. The value chain that is essential for Nurminen's business, can be divided into three parts:

Pre-terminal services: This is the first step in the flow of goods where they leave the production site. The core activities of the sub-area are the transport of materials and products to domestic customers or to terminals and ports. This serves as feeder traffic and enables the production of other value chain services.

Terminal services: These typically cover goods warehousing, maintenance, forwarding and possible additional services such as quality assurance. Preparing goods for further transport, such as packaging and loading, is also an essential element in the middle part of the value chain.

Post terminal services: These include services after the goods have left the terminal and proceeded to the next transport and the transport itself (e.g. cargo ships or a cargo train operated by Nurminen). Port services include goods handling and, e.g., stowage. Additional services in the third stage are typically goods tracking and customs clearance services.

Growth focuses on the end of the value chain

The main focus of Nurminen's growth strategy is to primarily increase its share of the last part of the value chain, mainly through the China and Asia railway connection. Growth in the Asia railway connection is also reflected as growth in feeder traffic (forwarding and terminal services) in the middle-stage of the value chain, which supports the company's aim to act as a comprehensive partner for its customers. On the other hand, it is worth noting that, without the company's strong service expertise in other businesses, it would be much more difficult to operate on the Asia railway connection, so the businesses support each other.

In addition, the company's value-added services, such as warehousing and sampling of dangerous chemicals and handling of heavy goods, enable growth opportunities for the company around more conventional terminal services next to feeder traffic for the railway connection. The company's earnings growth is also supported by measures to improve operational efficiency, where, e.g., most warehousing services were abolished with the aim to improve the turnover rate of goods in the terminal business.

China and Asia railway connection is the company's growth spearhead

The main part of Nurminen's growth strategy is the Asia railway connection operated by the company, which has reached strong growth over the past year, especially in H1'21. The very strong growth in H1 was driven by both good volume development and strong price increases in sea freight, which was also reflected in rail freight prices. However, we believe that this was more moderate than the price development for sea freight, which was hit by major bottlenecks.

Nurminen is currently the only player with regular scheduled cargo train services between the Nordic countries and Asia. Thus, the challenges of sea freight have also benefited the company directly and increased the recognition and competitiveness of a relatively new option. We believe, the company currently has weekly connections between the company's port terminal at Vuosaari in Helsinki and various cities in China, and to a lesser extent via the Trans-Siberia route to other parts of Asia. In addition, there are also connections between the company's Kotka terminal and East Asia via Trans-Siberia. The company has also communicated that it is aiming to significantly increase regular connections in the future. It can also handle the cargo distribution at both ends as necessary.

Company description and business model 4/5

In practice, Nurminen is creating a new market in a conventional industry. With its services the company aims to improve its customers' competitiveness by enabling shorter order and/or delivery times, which in turn allows shorter production lead times and release of working capital. On the other hand, the need for customers' own warehousing facilities also reduces as goods are moved faster. This allows ever smaller companies to grow, as they do not need expensive working capital financing.

Extending regulation (EU's taxonomy, reporting requirements of Scope 3 emissions under EU's NFR directive) to companies' supply and delivery chains in the near future also supports company growth, as rail freight is more environmentally friendly than other alternatives. Moreover, it is much faster than conventional sea freight, although in normal circumstances we estimate that it is clearly more expensive. As a result, the service is targeted at the transport of more valuable cargo (container value several tens of thousands). On the other hand, using rail freight can also be seen as a risk-management diversification between various transport options if there are problems with sea freight, like those of the obstruction of the Suez Canal last spring.

Customer base has expanded, but focuses on industries with higher cargo value

We believe Nurminen's customer base has expanded as the Asia railway connection grows. However, we estimate, that the forest, chemical and engineering industries have remained the largest in the customer base and they also have a high average cargo value. In addition, the customer base includes a lot of smaller customers that deliver parceled goods that fragment the customer portfolio. On the other hand, we believe, the largest customer sectors today, and also the logistics sector as a whole, are highly dependent on global economic cycles, which somewhat raises the company's risk profile.

According to our estimates, there are no significant differences in profitability in customer activities, especially in cargo train traffic, although, e.g., the length of signed customer contracts and the scheduling of deliveries (e.g. more expensive last-minute reservations) may affect pricing considerably. We believe that the current strong demand situation for the cargo train will give the company some visibility into next year, as the reservation situation is good.

In Terminal services, we believe, customer contracts do not contain any conditions linked to volume or value. Thus, the contract portfolio does not give the company any guaranteed net sales load, although long contracts provide a certain degree of continuity to the customer base. We estimate that the price sensitivity of smaller parceled goods suppliers is lower than that of large players, who are under normal conditions subject to price pressure especially in bulk products such as pulp, paper and board. For individual smaller or special transports, we estimate that the margin levels are better, as you can sell more additional services linked to them. Overall, however, the terminal business is primarily a volume-driven business, where a high utilization rate is critical.

Nurminen's largest owners on 10/31/2021

Largest shareholders	% of shares
Suka Invest Oy	15,8 %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	15,1 %
Juha Nurminen	12,8 %
K. Hartwall Invest Oy Ab	10,5 %
Avant Tecno Oy	7,4 %
Olli Pohjanvirta	6,7 %
Verman Group Oy	3,3 %
Assai Oy	2,5 %
H.G. Paloheimo Oy	2,3 %
Pär-Gustaf Relander	2,3 %

Examples of Nurminen's customers

Source: Holdings by Modular Finance, Inderes

Company description and business model 5/5

Cost flexibility varies by business

Nurminen's cost structure is simple, and we estimate that about 80% of the company's total costs are variable costs and the share of fixed costs is about 20%. Fixed costs, especially in the short term, include personnel costs, other expenses and depreciation, which represented close on 20% of the Group's total costs in H1'21. Materials and services that are considered variable costs covered some 80% of costs. The fixed parts in the expense structure provide the company with a reasonable operational earnings leverage.

We estimate that the flexibility of the company's cost structure varies a great deal from business to business. For example, in Terminal services, the cost structure is considerably more rigid, despite the reorganization measures, as a significant share of the costs are related to property, equipment and personnel. However, e.g., in terms of the Asia cargo train, most of the costs consist of subcontracted services, which in practice vary directly depending on sales volumes. This in turn enables efficient capital use for the company and provides preconditions to generate high return on investment.

Investments are moderate and working capital commitment is not substantial

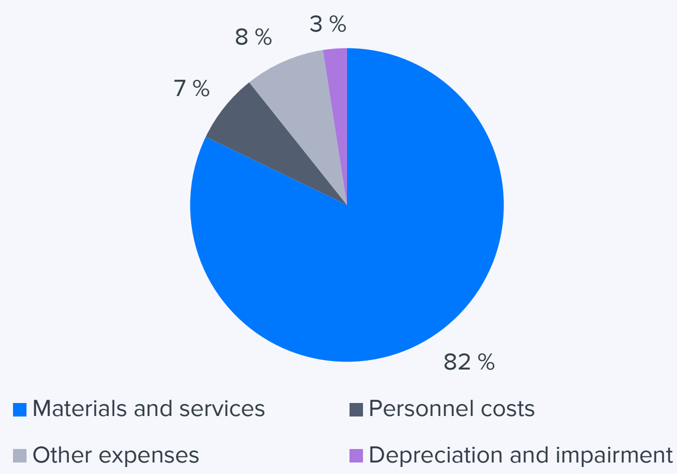
Nurminen's business model ties substantial amounts of fixed capital on Group level in the terminal properties and related land areas and equipment. However, we believe these are essential to the company's comprehensive service concept and business model. Otherwise, the company's current business is light, as is typical of a service company, and we believe it does not require significant investments in the near future. In practice, we believe investments are currently targeted at IT systems and, to a lesser extent, on the purchase of own containers, and equipment purchases such as trucks. In the case of containers, it is worth noting that the company uses containers leased through partners to a significant extent in its operations, but to support growth and ensure the availability of containers, Nurminen also invests in its own new containers to a degree. As a result, the company's volume growth on the China and Asia railway routes does not require much investment, and, on the other hand, the growth in rail freight traffic enables the company to increase the turnover of more capital-intensive business (containers). However, growth ties up working capital in the growth phase.

Minorities eat away on shareholders' profits

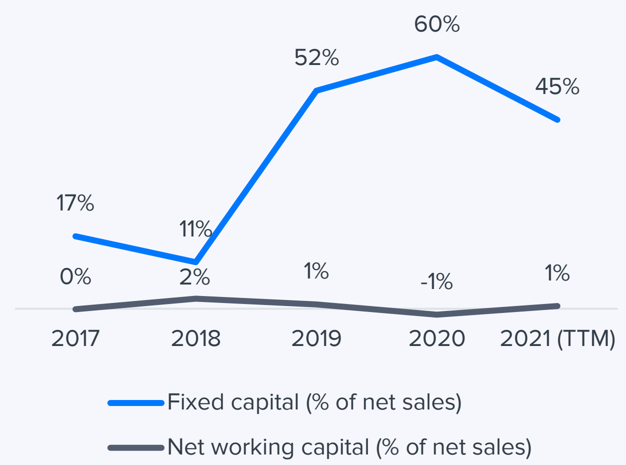
For Nurminen shareholders, the Group structure is an essential factor, as the minority holdings of the local management in the Baltic operations are significant (49%). In recent years, the Baltic businesses have generated most of the company's results and thus, almost half of these profits have flowed away from Nurminen's shareholders.

The minority interests were also increased by the company's real estate arrangement at the Vuosaari terminal at the turn of the year, through which Nurminen acquired a majority share of the property (51%).

H1'21 cost structure

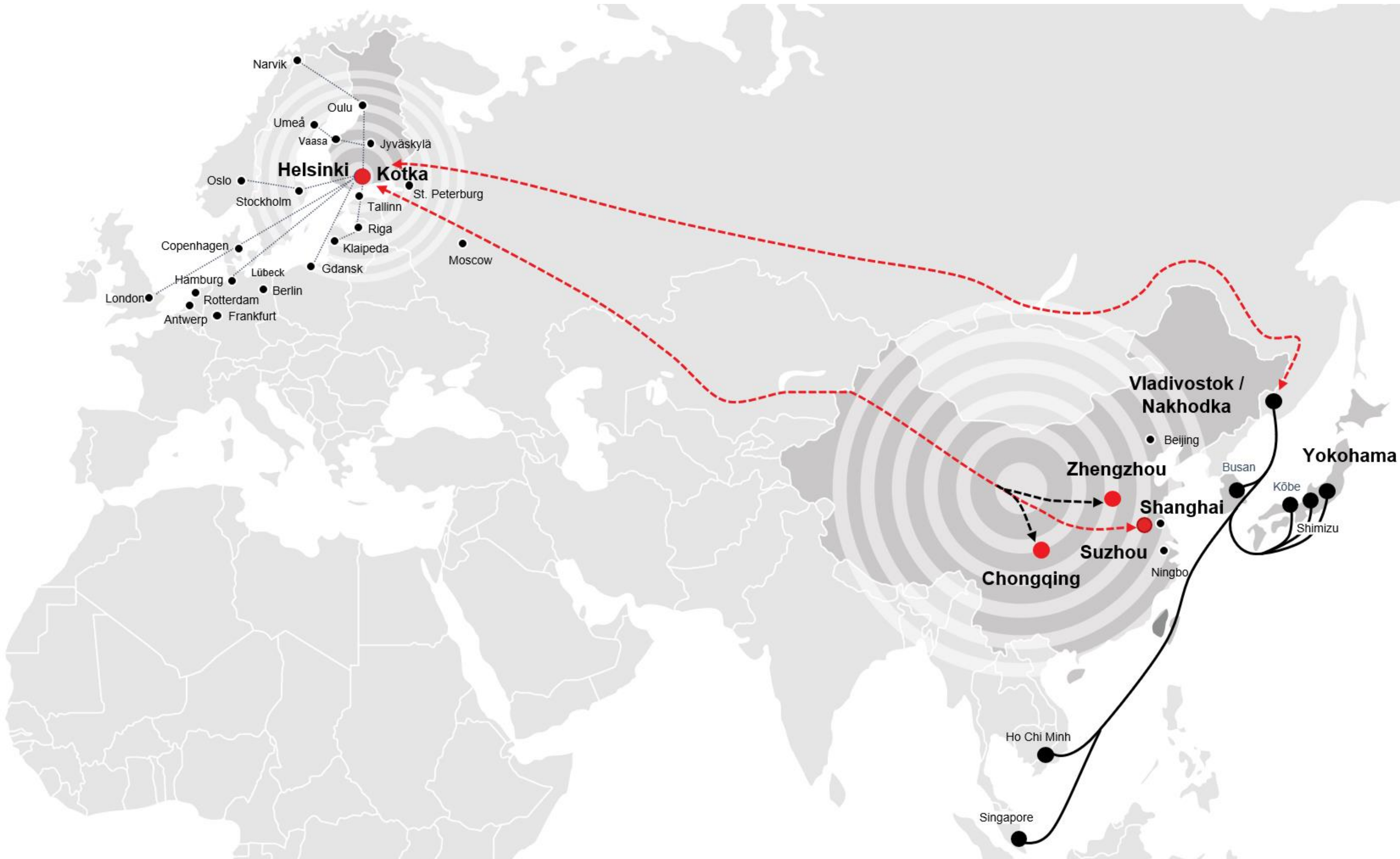


Capital commitment



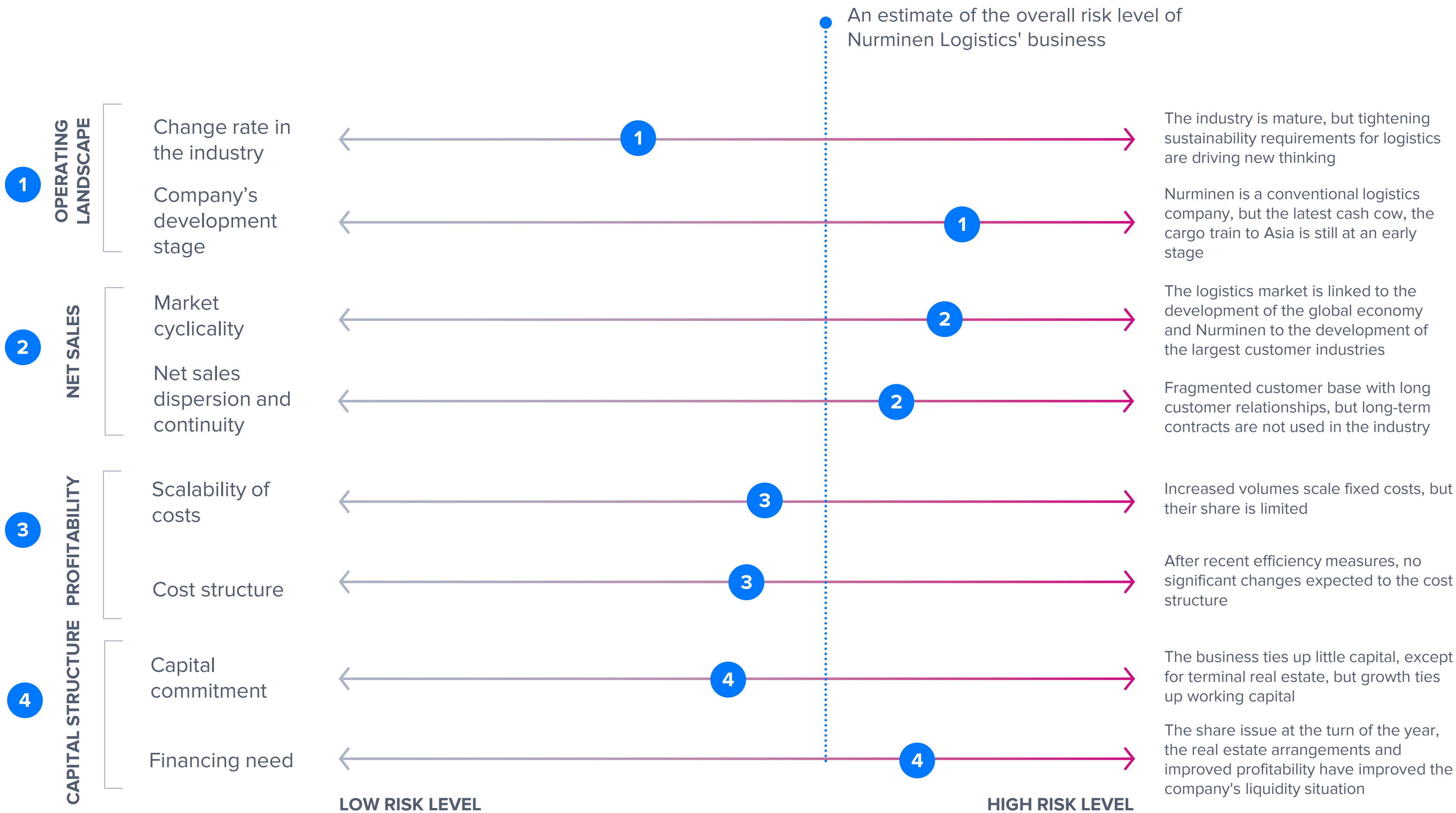
Source: Nurminen Logistics, Inderes

Nurminen's cargo train traffic to China and Asia



Source: Nurminen Logistics

Risk profile of the business model



Source: Inderes

Strategy and financial objectives 1/2

Medium-term financial objectives

In early autumn 2021, Nurminen Logistics published medium-term financial objectives for 2021-2023, in line with its new strategy. Group level financial targets are:

- Net sales EUR 200 million
- EBIT % at least 9%
- Equity ratio at least 33%
- Net gearing below 100%
- Net debt/EBITDA under 2.5x
- Increased dividend distribution, which is 33-50% of the result

According to the company, the targets consider sustainable growth of shareholder value. In addition, the objectives take into account the current corporate structure that includes ownership of the Vuosaari terminal property, which according to the company allows higher indebtedness than normal .

When publishing the financial targets, the company described its strategy and stated that it will continue to grow its international service network in Europe and Asia. It also invests in digital customer management and service platforms. The company's objective is to support the responsibility objectives of its customers and strengthen their competitiveness by offering railway operating solutions to reduce the CO2 emissions of its customers.

In addition, the company stated that the improved financial position during its strategy period will enable it to accelerate growth through acquisitions, which are targeted particularly at China. According to the company it plans to implement the acquisitions with income financing. According to our estimate, the company would seek to strengthen its local operating and sales organization, which would enable it to expand its contact network to new customers. We also consider it possible that the company will seek to strengthen its forwarding expertise through acquisitions.

Business objectives

Group-level financial targets are based on the targets of the business activities for the corresponding period, which are presented next by activity.

In the China and Asia cargo train business, the company aims to become the market leader in railway operations between China, other parts of Asia and Northern Europe. Nurminen's aim is to grow the company into the key player in the Nordic logistics hub by utilizing the company's strong market position, railway traffic locations and traffic density. Growth is also supported by Finland's excellent logistical location between Asia and Europe, as well as the company's port terminals in Vuosaari and Kotka with railway connections, which enables quick forwarding of cargo to Europe.

The company's financial objective is to multiply the net sales of the business during the strategy period, after which it aims to achieve faster growth than the market with improved profitability. According to the company, growth is supported by, e.g., strong customer service expertise, a scalable business model and a unique partnership network. In addition, growth is supported by rapid growth of the market and customer base in the Nordic countries, Germany, the Netherlands and England, as well as increased number of sites in China.

The goal of the forwarding business during the strategy period is for net sales and operating profit to grow faster than the Finnish market. The company aims to do this by utilizing process automation and robotics.

In terminal services, the company aims to grow faster than the market and at least 10% per year. To achieve this, the company focuses on producing services in the company's railway, chemical and heavy goods special terminals where the market is growing, and the company has a good competitive position. A major growth driver is the feeder effect of Asian railway traffic on the terminals. Growth is also supported by the growth in project logistics in railway transport to CIS countries. The company also aims to improve profitability clearly by developing the customer and service experience.

In outsourcing services, the aim is to achieve strong growth and raising net sales to EUR 3-5 million annually. In this business, the company aims to profile itself as the outsourcer and developer of international logistics for Finnish SMEs involved in international trade.

Strategy and financial objectives 2/2

In the Baltic countries, the objective is to maintain the current market position and profitability and to utilize the company's Asian railway connections through the Nordic Hub service.

Ambitious growth target but achievable through the Asia railway connection

To achieve the growth target, net sales will practically have to double over the next few years in relation to the level of the last 12 months (H1'21 TTM net sales: 107 MEUR) or an annual growth rate of around 28% (H1'21-2023). In our view, the company's net sales target is the most ambitious medium-term target. According to our estimate, it will require a breakthrough in the Asia railway connection and multiplying the net sales of the business, as other businesses have clearly more limited growth prospects.

To achieve the growth objectives of the Asia railway connection, we believe the connection must become a competitive alternative across a wide range of industries with significant cargo value and where sea freight has been the traditional mode of transport. We believe the growth target also requires the company to succeed in expanding its market area. In addition, it is important to retain recently gained customers when global sea freight traffic returns to a more normal state (incl. price and availability) during the strategy period. Overall, we consider the net sales target to be ambitious, but not impossible, especially with the help of possible small/medium-sized acquisitions.

In our view, the continued rapid growth of the railway connection to China and Asia is a prerequisite for achieving the targeted profitability level. We believe the targeted profitability level can be achieved during the strategy period as the railway connection is growing already at a lower net sales level (in 2022 based on our estimate). On the other hand, this also requires that no material deterioration occurs in the profitability levels of other businesses, e.g., as current price levels and/or volumes fall or as cost pressures rise due to inflation.

Rising profitability supports the balance sheet

We find Nurminen's balance sheet structure and indebtedness targets to be appropriate considering the business structure. We believe the company has the preconditions to achieve them also supported by the improved profitability and ownership arrangements (incl. Vuosaari real estate and related share issue).

In principle, Nurminen's business model that ties up little capital and requires moderate investments, enables good preconditions for the company to repay debts and distribute profits. However, we believe, the targeted payout ratio will require both improved profitability and balance sheet position and at least partial loan restructuring (see Financial situation section). We also believe that the company's inorganic growth targets will cut some of the company's room for dividend distribution, and we expect the payout ratio to be closer to the lower end of the target range in coming years.

Markets and competitive landscape 1/4

Large potential market relative to the current company size

The size of the logistics market on markets that are key for Nurminen, i.e., the logistics markets in Finland (incl. export from Finland, import to Finland and transit traffic), the Baltic countries and neighboring regions is large considering the company's size. However, the size of the market is significantly affected by general economic development, which is reflected in the volume of exports and imports through global trade. The company's potential market has grown considerably in the past few years, as the company's China and Asia railway connection has started to move at an accelerating pace. At present, the company is seeking growth in addition to Finland, especially in Sweden and Norway.

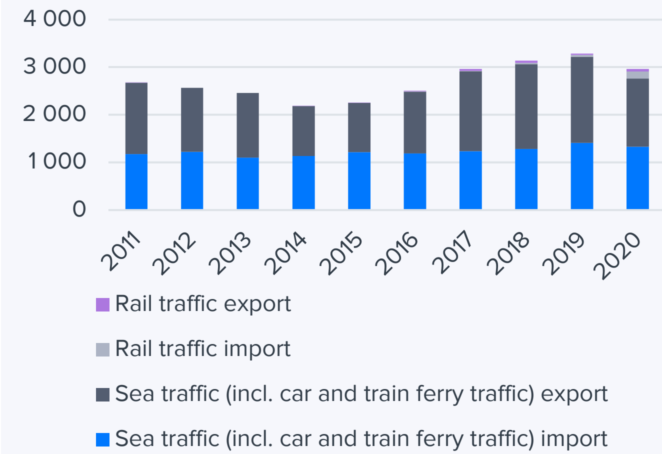
According to Finnish Customs, the total value of Finnish goods exports and imports in 2020 was about EUR 117 billion, which fell clearly from the EUR 131 billion level of the previous year due to the COVID pandemic. We believe the 2019 figures better reflect the size of the market as the operating environment normalizes. However, the share of logistics in the total market is limited and depends on the calculation method but gives an overview of the size of the market, although the entire logistics market is not relevant for Nurminen.

Nurminen has estimated that the trade of the relevant European market (Nordic countries, Northern Germany and part of Northern Europe) with China of its cargo train connection is about EUR 70 billion a year. A significant proportion of this value is transported in containers (estimated EUR 40-50 billion). According to the company, the share of freight transported by rail is several billion. In addition, the company estimates that the share and value of railways will increase by several tens of per cent per year, supported by megatrends like climate and speed requirements. We also estimate that the share of logistics in this container traffic between China and Europe will be calculated in billions of euros. This size of the market and its growth outlook therefore well reflect the enormous potential of the business, which is not limited by market size for a long time. The figures also do not include trade with other Asian countries, but we estimate their importance is more limited at least for the time being, before new route openings, so we will focus on the development in China for the time being. The company's growth in rail freight is also not directly linked to the growth in imports and exports, but especially to the gain of market share from more conventional sea freight.

Value of container cargo between Finland and China has been growing slightly in recent years

According to Finnish Customs statistics, the value of container cargo (incl. sea and rail freight) between China and Finland in 2011-2020 has been EUR 2.2-3.3 billion. In recent years, the value of container cargo has been rising until 2020 when the COVID pandemic muddled the waters. Container cargo has been dominated by traditional sea freight over the past decade. Railway transport has raised its head slightly as a mode of transport only in recent years, which we expect to be a derivative of the opening of Nurminen's China railway connection. In 2020, the value of rail freight in relation to sea freight between China and Finland rose clearly from previous years and was around 7% (2018-2019: ~2%).

Value development of container cargo traffic between China and Finland (MEUR)



Value development of train and sea container cargo between China and Finland incl. Import and export (MEUR)

Source: Finnish Customs' database Inderes

Markets and competitive landscape 2/4

Strong development in rail freight continued this year

According to Finnish Customs statistics, railway transport continued performing well during H1 and grew in relation to sea freight (Q1-Q2'21: 8-13%), which we believe was also reflected in Nurminen's strong growth in H1. Monthly development has also been strong after the quieter months at the beginning of the year and transport values have hit new record levels in late spring and summer, which we expect to bode good for Nurminen for the rest of the year.

Prices of sea freight have increased significantly over the year

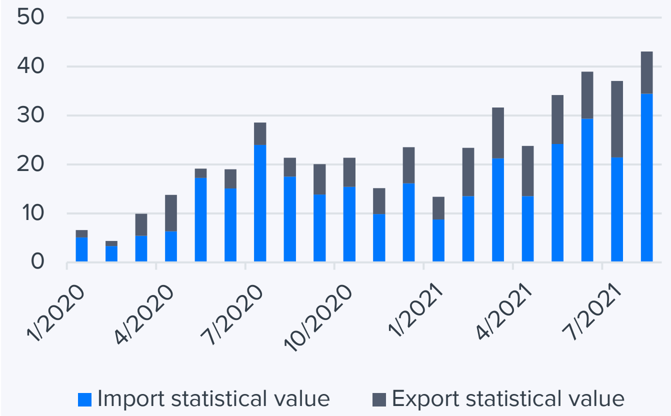
Over the last year, the price of sea freight has jumped significantly globally, particularly due to port congestion and the associated container shortage. Container prices have increased especially for freight from China and Freightos' freight statistics show that the prices of the sea containers from China and East Asia to Northern Europe that are relevant to Nurminen have risen manifold (6-7x) from a year ago. However, according to Freightos, the prices of containers traveling the other way have remained rather stable. This is partly due to more efficient return rates of containers to the bottleneck area.

We believe that this has also supported Nurminen's growth, because the company's railway connection that under normal conditions is considerably more expensive than sea freight, has appeared to be a very competitive option with its considerably faster delivery time. We also believe that the company's price levels have not increased nearly as much as sea freight, although the company has been able to utilize the increased sea freight price in its own prices. The problems of sea freight are expected to continue far into next year, which we expect will maintain the price pressure of containers and also support Nurminen's development.

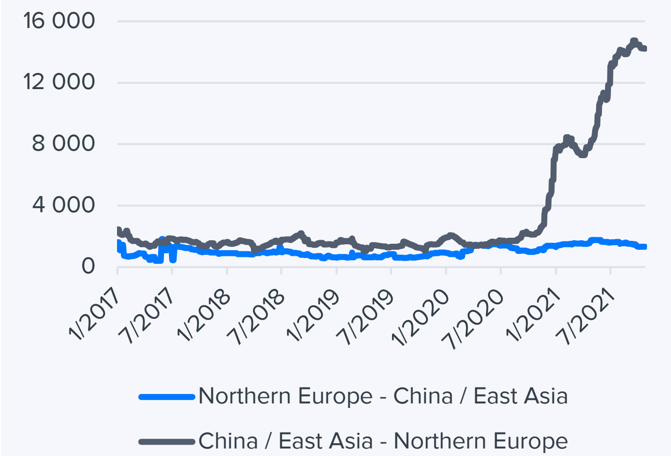
The main competitor of rail freight is sea freight

At present, the main competitor of Nurminen's railway connection to China and Asia is conventional sea freight, which still stands for most of the value of container cargo. To a lesser extent, rail freight also competes with air cargo, but flown cargo usually requires special handling or delivery times due to its nature. The number of direct competitors is very low from the rail freight perspective, as the company is in practice creating a new market, especially for transport to Finland and Northern Europe. The company is the only player involved in regular container train traffic between Finland and Asia. To our understanding, there are a few players in the container train traffic between Central Europe and Asia, such as the global logistics operator Maersk that has traffic between China and Europe. It is, however, hard to estimate the current size of the company's rail operations and we believe it is only a fraction of its share of sea freight. It is also hard for new operators to penetrate the market at a low capacity, as profitability requires volumes. In addition, as was observed in the ramp-up of Nurminen's route, it takes time to build partnership networks and especially customer relationships.

Value development of train container cargo between China and Finland (MEUR, per month)



Price development of sea containers (FEU, USD)



Source: Finnish Customs' database, Refinitiv Datastream, Freightos, Inderes

Markets and competitive landscape 3/4

Sea freight prices have risen significantly over the past year, but previously prices remained relatively stable over the past few years. We find it quite likely that sea freight prices will decrease clearly in the medium term, but it is difficult to assess the timing and level of this drop. As a result, we believe that the price ratio of rail and sea freight will be restored and, thus, these freight modes will also start to compete more on price basis.

In normal circumstances, due to the price difference, transporting bulk products (e.g. pulp) by rail freight is not economically sensible. Therefore, the target group for rail freight is transport of more valuable content (e.g. industrial machinery), where it seeks to win market share from sea freight especially through improved delivery speed and reliability. On the other hand, it should be noted that the current capacity of rail freight limits the volume of cargo compared to sea freight, as on average one train can carry some 50 containers (FEU) and a cargo ship can carry on average 10,000 containers.

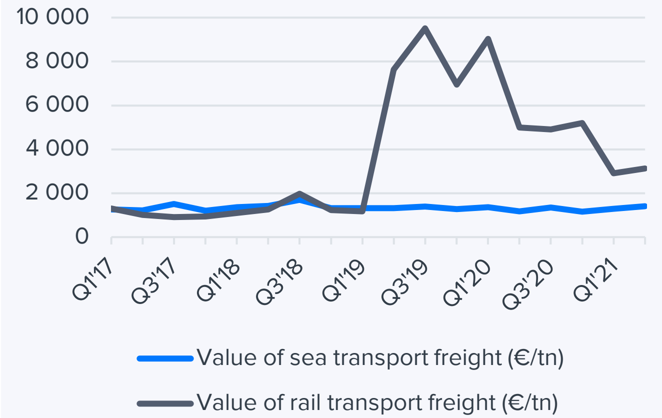
Nurminen can also win over market share from air cargo in certain segments, like transportation of certain foodstuffs, where it can utilize its heat-regulated containers. The company has signed an agreement with the port of Narvik on the transport of fish processing products, but the restrictions imposed by the COVID pandemic have put this plan on ice for the time being.

In the railway operations between China and Asia and Northern Europe the fact that the Finnish railway network belongs to the same 1,520 rail gauge as Russia and Kazakhstan (rail gauge changes at the Chinese border) can be considered a competitive advantage for the company. This makes the route faster and cheaper than when coming through Central Europe (rail gauge changes twice). In addition, the company is supported by lower CO_2 emissions compared to other modes of transport and tightening regulations. Nurminen can also offer transportation from parceled goods to block trains and real-time tracking of its transportations.

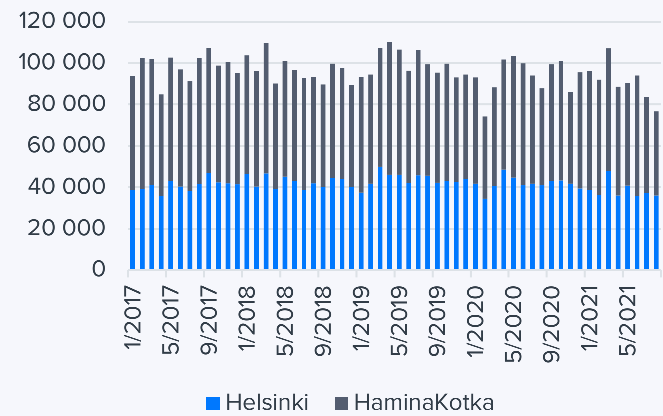
In other businesses growth depends on international trade and the competitive situation varies

The company's other Finnish businesses are largely dependent on the volume of Finland's international trade. In particular, the volume of the ports of Vuosaari and Kotka affect Nurminen due to the location of its terminals. According to Statistics Finland's figures, volumes have remained relatively stable in recent years, although the statistics cannot be used to determine company-specific volumes. We believe that continued stable volume levels would also allow the company to maintain the profitability of Terminal services at a positive level.

Value development of sea and train container traffic between China and Finland



Container traffic of Helsinki and HaminaKotka ports incl. import and export (TEU)



Source: Finnish Customs' database, Statistics Finland, Inderes

Markets and competitive landscape 4/4

The company's relevant competitive field varies across its other business areas. Some of the business areas have competitors that operate with it in part of the services, but not in the entire competitive field. The competitors may also utilize Nurminen's logistics expertise in certain areas of the transport, which becomes concrete especially as volumes at Nurminen's terminals. We believe the company has a strong market position in the Baltic business.

Forwarding market is highly fragmented

According to a recent report by the Finnish Freight Forwarding and Logistics Association (FIFFLA) (10/2021), the number of forwarding companies in Finland is some 300, although the exact number is difficult to measure due to partial overlaps in the industrial classifications and inactive companies. According to FIFFLA, forwarding companies handled a EUR 68-103 billion share of the total EUR 131 billion goods exports and imports in 2019 (the latest report did not include 2020 figure in this respect)

According to FIFFLA, the combined forwarding net sales of its member companies was an estimated EUR 1.8 billion in 2020 (2019: EUR 1.8 billion), which represents some 84% of the total net sales of the forwarding sector (2019: 83%). This in turn would mean that the total market in Finland in recent years would have been around EUR 2.1-2.2 billion.

Market fragmentation to a large number of players (i.e. market size/operators ratio) reflects the very low threshold to enter the sector, which has resulted in fierce competition. According to FIFFLA, the average EBITDA of forwarding companies was around 3.2% (according to FIFFLA above the long-term average). This derives from the fact that forwarding is not tied to a specific location like, e.g., terminal services are. Therefore, forwarding can be separate from goods flow, which means competition is tighter and distributed to a large number of players for the time being. In our opinion, the work is still largely manual and processes are currently being automated, which can also help accelerate consolidation in the sector (cf. accounting firms).

Terminal services are tied to a location

In terminal services, the low entry threshold is raised by the capital requirements and location-orientation, as business opportunities at key cargo hubs (e.g. Vuosaari) are limited by distances to cargo traffic connections.

As a whole, like a typical service sector, the terminal business is highly competed, and it is difficult to generate significant competitive advantages. In this respect, Nurminen's Asia railway connection can be seen as a clear competitive advantage in terms of forwarding or goods imports. However, terminal business profitability is highly dependent on volumes, and margins in the business are relatively low due to the required capital and price competition.

Cost structure and financial situation 1/2

Typical cost structure for a service company

Nurminen's cost structure is simple reflecting the business model of a service company and includes three essential items: Materials and services, personnel costs and other expenses. Of these, only the first can be considered a variable item, while other expenses as well as personnel costs are (in the short term) fixed costs. In 2018-2020, the company's sales margin % has been 24-28%. We estimate that the fluctuation of the sales margin has been caused by variations in sales distribution, which has been affected by the different margin structures in, e.g., terminal services and various types of goods, as well as the growth in rail freight traffic in China and Asia.

Similarly, personnel costs have been 10-13% of net sales in recent years. Other expenses consist of typical administrative expenses, such as sales and marketing costs, smaller rental costs and ICT development costs. In 2019-2020 (during the IFRS 16 standard, when real estate rental costs have not burdened the item), other expenses have been 8-10% of net sales.

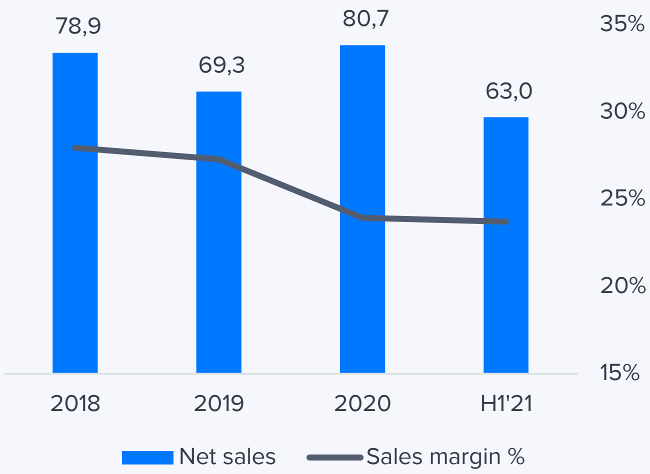
On the other hand, this historical comparison with the future is partly hampered by the growth of the Asia railway connection, which we estimate will decrease the company's sales margin %, but on the other hand, scale the share of fixed costs. To our understanding this is because almost all the costs of the Asia railway connection (equipment rental, subcontracting, track tariffs) are included in the sales margin. To our understanding the prices of rented equipment and track tariffs are market-based and flexible, so prices rise/fall quite quickly (slightly slower for tariffs than for railcars). In our opinion, business growth does not currently require a significant increase in the company's own personnel, which offers the company an earnings leverage. However, to achieve the company's long-term growth targets, we estimate that the company needs to hire personnel for sales and support operations.

We believe, the company's efficiency measures in Terminal services last year have improved its efficiency and utilization rates. Thus, we do not expect any significant changes in the cost structure of Terminal services in the short term. In addition, we believe that robotics and digitalization enable cost scalability in Forwarding if the company achieves volume growth. Overall, however, it should be noted that the most significant variable for the company's cost structure in coming years is the growth in the Asia and China railway connection and its rate.

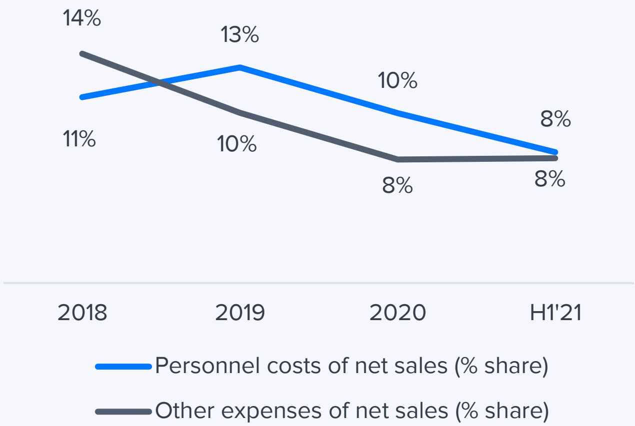
Most assets are related to the Vuosaari property

Nurminen's balance sheet total at the end of H1'21 was EUR 71.1 million (2020: 66.2 MEUR). EUR 47.9 million of long-term assets consisted of tangible assets (incl. licensed assets), which largely consist of the Vuosaari property and the related rented land area (licensed assets). In current assets, the main items were receivables of some EUR 16.0 million and EUR 4.5 million in liquid assets.

Net sales and sales margin %



Personnel costs and other expenses



Cost structure and financial situation 2/2

Balance sheet still contains a lot of debt

At the end of H1’21, the shareholders' equity of Nurminen's parent company was around EUR 5.6 million, which included a hybrid loan of EUR 1.3 million from Ilmarinen that was converted into shares in July 2021.
On the other hand, minority interests in the balance sheet totaled some EUR 9.8 million, which relate to the Baltic operations and the Vuosaari real estate company.

At the end of H1 Nurminen had EUR 40.1 million in interest-bearing liabilities (incl. lease liabilities) of which EUR 37.8 million was non-current liabilities. As a result, the company had EUR 35.6 million in net debt at the end of H1. Similarly, non-interest-bearing liabilities in the company's balance sheet amounted to EUR 15.7 million at the end of H1'21, of which EUR 15.5 million were current liabilities. Considering the structure of the company's interest-bearing liabilities, investors should note that EUR 15.3 million of long-term loans are included in the Vuosaari real estate company of which Nurminen owns 51%. The remainder of the long-term loans consist of EUR 13 million in loans to Ilmarinen, which will fall due in June 2023. The Group has EUR 9.5 million in lease liabilities (IFRS 16), the majority of which (7.2 MEUR) consist of the land lease liabilities of the Vuosaari real estate company, which is a very long-term lease liability (several decades) and therefore not a normal operational lease liability.

Debt structure is still favorable for the company

With the incorporation of the Vuosaari terminal property, the real estate company of which Nurminen owns 51% is responsible for its debts. According to the company, its rental income covers debt repayments and financing costs. As a result, the loan repayments of the real estate company roll forward on their own accord during the maturity of the debt. In addition, according to the company, the real estate company's liabilities are secured by the property entity with a high market value, which is also supported by our estimates. As a result, the gearing in the company's balance sheet is more limited than a first glance reveals. In principle, Nurminen could also reduce the gearing of the balance sheet quickly by selling its share of the property, but we do not believe that this will happen as the profitability turnaround continues.

Correspondingly, to repay the EUR 13 million loan to Ilmarinen, Nurminen should strengthen its free cash flow clearly. Of the EUR 13 million loan EUR 8 million is a senior debt, on which the company has agreed on early repayment based on free cash flow. Under the agreement, the company pays 30% of free cash flow as installments. Similarly, for the smaller junior loan of EUR 5 million, a profit participation clause has been agreed whereby the company pays a profit share (20%) to Ilmarinen for the profit for each financial year. When the loan is full, the share is 20% and will decrease linearly as the loan capital decreases.

According to our estimates, the company cannot fully repay the loans to Ilmarinen by the due date, considering the expected growth in the connection to China and Asia and the working capital tied to this, as well as other items that move cash flow out (e.g. minorities, acquisitions and profit sharing). However, considering Ilmarinen's high holding, we expect the restructuring of the loans to be successful and we do not consider the solvency risks to be significant. As the company's financial situation improves, we also believe it gives the company the opportunity to tender its loans.

Recognition of deferred tax assets improves balance sheet ratios

At the end of H1'21, Nurminen's equity ratio was a lowish 22%, and gearing including lease liabilities was a high 231% (without IFRS 16 liabilities 165%).

In November 2021, the company announced that this year it would recognize deferred tax assets connected to the confirmed losses from previous years, which has a EUR 7.4 million positive effect on the result for the accounting period. However, this recording has no cash flow effect and thus does not affect the company's net debt. The recoding also has no effect on the company’s cash affecting taxes of the Finnish business (excl. the Vuosaari real estate company), which we believe will be at zero until the confirmed recognized and unrecognized losses in the balance sheet (EUR 2.5 million) have been utilized. This, however, raises the company's equity and significantly improves the company's balance sheet position already by the end of the year (2021e equity ratio: 30%, gearing: 140%). We expect the company will reach its financial objectives in 2022. In addition, when examining the key ratios, it should be borne in mind that almost 60% of interest-bearing liabilities relate to the Vuosaari property.

Financial position

Development of balance sheet position

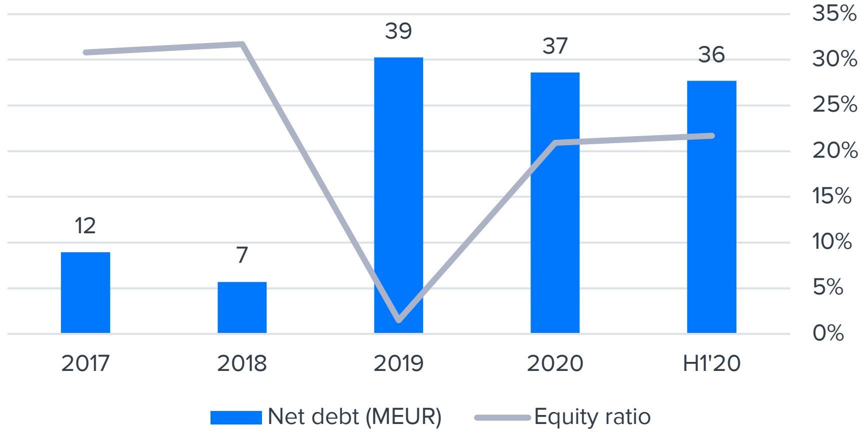
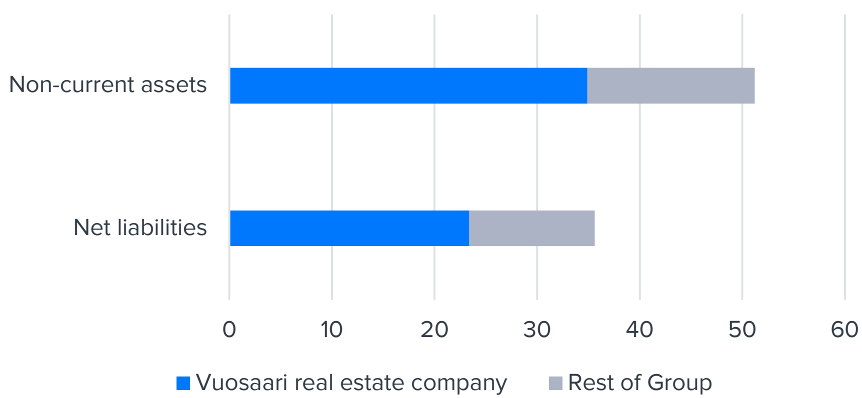
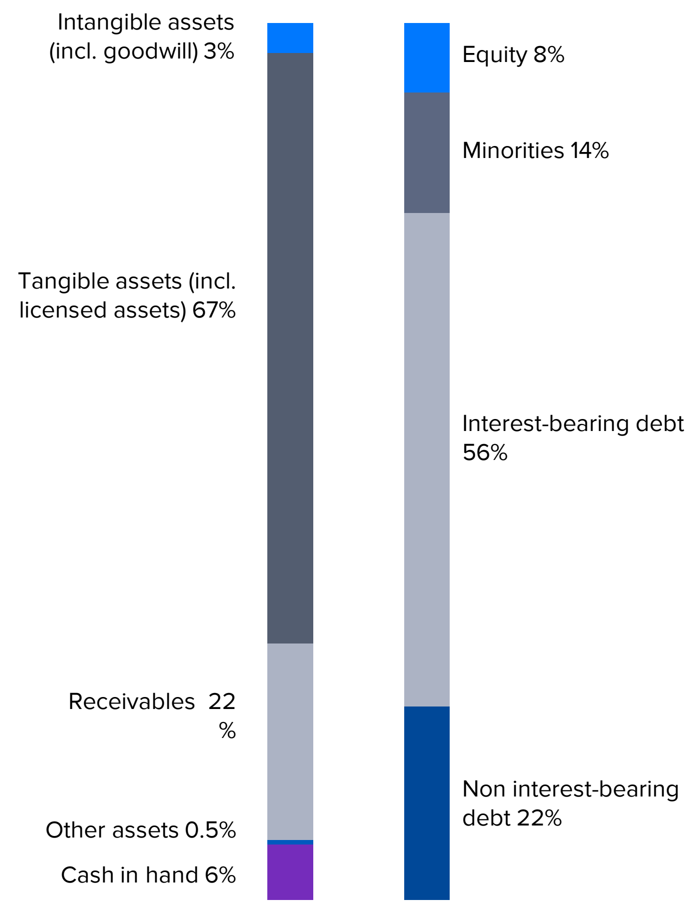


Illustration of the distribution of non-current assets and net liabilities (MEUR)*



*Net liabilities are presented per the situation at the end of H1'21. Long-term assets are presented according to the financial statements for 2020, as the company did not detail them in the H1 report. We do not believe, however, that there has been a substantial change in these.

Simplified balance sheet structure at end of H1'21 (71 MEUR)



Source: Nurminen Logistics, Inderes

Estimates 1/3

Macroeconomic forecasts

At present, the strongest recovery of the global economy from the COVID pandemic has started to slow down, but several forecasts indicate that the trend will continue as favorable from a logistical viewpoint next year as well. According to ETLA's forecast, Finland's goods exports are expected to grow by 4.9% in 2022 and by 2.2% in 2023. In addition, IMF predicts that global goods trade will grow by 11% this year and will continue to grow strongly next year (estimate +7%). In terms of the growth of Nurminen's railway connection, these estimates are promising and we expect the railway connection to grow much faster next year. Regarding Finland's economic growth, the Ministry of Finance expects GDP to grow by 2.9% next year and to reach 1.4% in 2023.

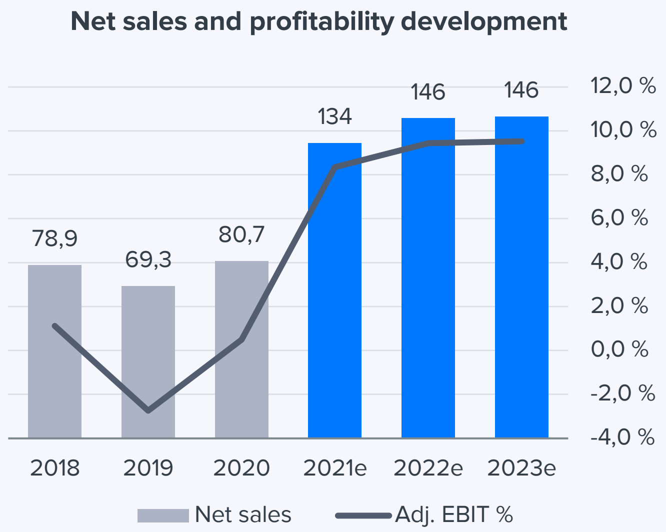
However, regarding macroeconomic forecasts, it should be noted that the growth of Nurminen's Asia railway connection is not directly linked to them, as growth is more linked to the competitiveness of the railway connection and gaining market shares from sea freight, as its market share is still so low. However, in a positive economic environment trade volumes increase, which supports total cargo volumes, which we believe makes it easier for Nurminen to increase its volumes. On the other hand, the company's other business activities, which still represent a significant share of its net sales, are more closely linked to the general economic development and, thus, the importance of Finland's and global economic growth are high for the company. However, the feeder traffic from the Asia railway connection can, if it grows, also support other business activities and partially reduce their cyclicality.

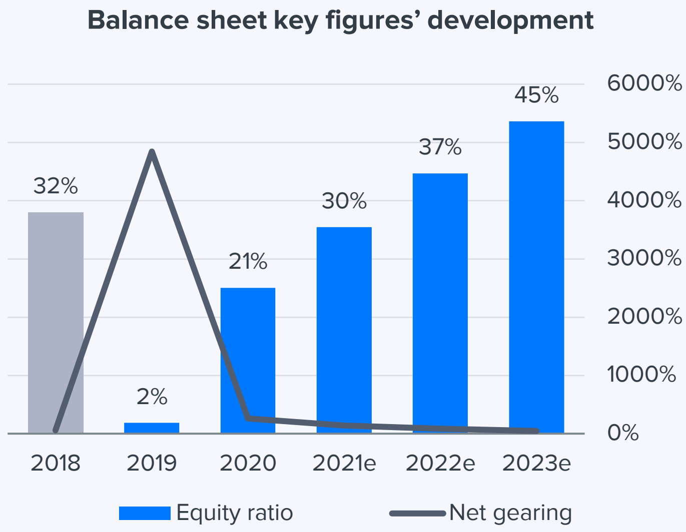
2021, a year of strong growth

In its guidance, Nurminen expects its net sales (2020: 80.7 MEUR) and operating profit will increase significantly in 2021 (2020 reported EBIT: -0.2 MEUR). After 2021 H1, the company had EUR 63.0 million in net sales (H1'20: 36.5 MEUR) and reported operating profit of EUR 3.7 million (H1'20: -0.5 MEUR).

For the whole year, we expect the company to continue growing strongly and to reach EUR 134 million in net sales in 2021. In H2, we believe growth will be driven especially by the growth in the Asia railway connection and the expected strong growth in volumes just like in H1. In addition, the business receives supporting fire from high sea freight prices, which we believe the company has increasingly been able to transfer to its own pricing (but not nearly as much as has happened in sea freight). In addition, we expect the Baltic businesses to grow in H2 from the comparison period, although we believe that sanctions against Belarus have impacted the development of Lithuania's businesses in H2. We also expect organic growth in Forwarding and Terminal services to be at a good level in H2. We do not expect Outsourcing services to bring substantial net sales this year.

As a result of strong net sales growth, we believe the company's profitability will increase significantly and we expect that the reported operating profit will be EUR 9.4 million in 2021. Therefore, our estimates are also in line with the company's guidance. The operating profit level we expect corresponds to





Estimates 2/3

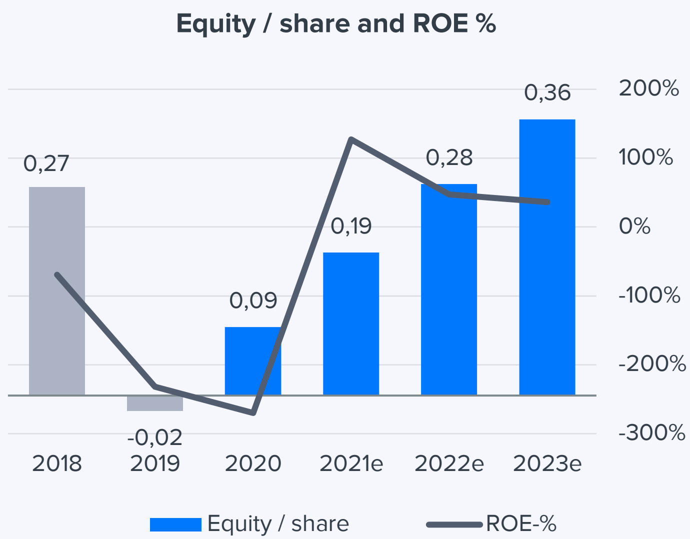
a 7.0% EBIT margin for the full year. In 2021, the reported operating profit is affected by expenses related to the management's incentive bonuses. In our view, incentive bonuses are generally part of the operational business (i.e. not adjustment items), but considering the development phase of the company, i.e. significant earnings turnaround and exceptional 2021, we do not expect the bonuses to be in the same size class in future and we have adjusted the expenses for this year. As regards H1, the company recorded a total of EUR 0.9 million in costs related to bonuses and we expect the expenses to be EUR 1.8 million for the full year. As a result, the company's adjusted EBIT for the whole year will rise to EUR 11.2 million, which corresponds to an adjusted EBIT % of 8.4% and is already close to the company's financial targets.

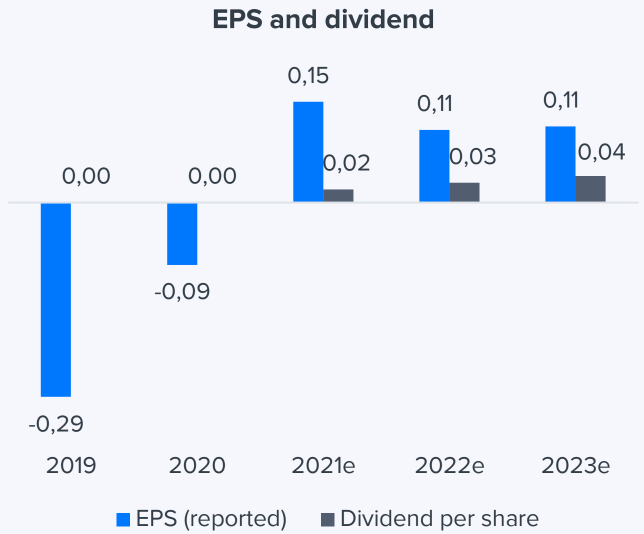
On the lower lines of the income statement, we expect net financing costs to be EUR 1.8 million for the whole year and profit before taxes to be EUR 8.9 million. The result reported on the lower lines is boosted by the recognition of the company's one-off non-cash-flow-related deferred tax assets of EUR 7.4 million announced in November. On the lower lines, the result is burdened by the strong performance of the Baltic businesses and we expect that minorities will represent EUR 2.0 million of the result. Considering this, the reported EPS is EUR 0.15 per share in our estimate. EPS adjusted for the management's incentive bonuses and recognition of deferred tax assets is expected to be EUR 0.09.

With the positive development of the current year and the recognition of deferred tax assets, we expect the company's balance sheet situation to improve clearly, even if the company will not yet meet its financial objectives. Due to the stabilized balance sheet situation and positive outlook, we expect the company to return to a dividend payer next spring in accordance with its financial targets. We expect the company to distribute a dividend of EUR 0.02 per share in spring, which is made possible by the cash situation and the distributable equity of the parent company (2020: 25.8 MEUR) despite the working capital tied up by the Asia railway connection and the repayment of Ilmarinen loans.

Estimates for 2022–2023

With support from the favorable market environment created by the general economic development and the development of goods trade, we expect the company's net sales to increase by good 8% to EUR 146 million next year, as the Asia railway connection chugs strongly forward. Our estimate is that the Asia railway connection will be supported by the increasing volumes and prices, at least in the early part of the year, as solving the problems of sea freight will probably extend far into next year However, we expect prices to stabilize as the year progresses, which will lower the growth trend. However, we note that there is still considerable uncertainty in the development of both railway volumes and prices, with relatively low visibility. By contrast, we expect net sales of the Baltic operations to turn into a sharp decline from the high levels of 2021 as the market environment and prices calm down. We expect the growth of Forwarding and Terminal services to largely follow the estimated development of Finnish goods exports. As regards Outsourcing services, we expect growth, but the absolute level is still low.





Estimates 3/3

In particular, when looking at 2023 and beyond, the estimate risks increase clearly. In 2023, we expect Nurminen's net sales to remain stable, mainly due to the Baltic operations, whose net sales level we expect to continue to return closer to its previous levels (cf. H1'21: 35.3 MEUR vs. full year 2020: 45.2 MEUR) after strong and partly price-supported growth. We expect the rate of the volume growth of the Asia railway connection to continue to be good, but normalizing sea freight traffic and the related price depression will even out the growth rate. We expect other businesses to continue to develop stably. Therefore, we do not expect the company to reach its current financial objectives without growth-enhancing acquisitions. On the other hand, if the rate of volume the growth and/or price level in the Asia railway connection exceed our current expectations, e.g., through successful customer acquisition (especially Sweden), our current estimates may appear cautious.

As a result of good volume development and, on the other hand, a change in the sales distribution (i.e. growth in the Asia railway connection), we expect the company to achieve its financial EBIT target in 2022-2023 as the EBIT % is 9.4-9.5%. Operating profit is depressed in coming years mainly by depreciation on real estate, which we estimate will remain at a relatively stable level at around EUR 2.5-2.6 million due to the company's moderate investment needs.

We expect the company's financing costs to be EUR 1.3-1.4 million in coming years because of the real estate arrangements. As a result of the recognition of the deferred tax assets, the tax rate recorded in the company's income statement will rise to a normal level, but a significant share of this will not affect cash flow as the company utilizes the deferred tax assets in the Finnish businesses. Therefore, we adjust the non-cash-flow-related taxes from the EPS. In turn, we expect minority shares to decrease to EUR 1.3-1.4 million in the next few years, with the volume decrease in the Baltic businesses. Considering this, we expect the company's adjusted EPS to increase to EUR 0.13-0.14 per share in 2022-2023 (reported EPS 2022-2023: EUR 0.11). We predict that the company will pay a growing dividend on the result (2022-2023: EUR 0.03-0.04 per share).

With the increased profitability, Nurminen's balance sheet position will improve quickly and we expect the company to meet its financial targets in 2022 (net gearing 2022e: 82%, equity ratio 2022e: 37%). With the growth and profitability increase in the Asia railway connection we expect the company to generate a good return on investment in coming years (ROI 2021e-2023e: ~19%).

Considering the increasing profitability and low investment needs, we expect the company's cash flow to improve clearly in coming years. However, cash flow is tied up by items related to the payment of the debt to Ilmarinen, the working capital tied to the growth of the Asia railway connection and the share of the cash flow belonging to the Baltic minorities that is decreasing in relative terms. Currently, we do not expect the cash flow generated by the company to be sufficient after the above-mentioned items to fully repay the loans to Ilmarinen considering, e.g., the expected profit distribution. However, we expect that this does not constitute a problem, as we believe the company will reorganize its loans with the improved balance sheet position and performance.

Long term estimates

We believe that Nurminen's growth will continue to be highly dependent on the growth of the Asia railway connection also in the long term. In the longer term, if growth is successful, it is also likely that net sales will start to fluctuate more with economic cycles as the market share increases. We currently expect the Group to grow slightly faster than general economic growth in the long term (2024e-2030e CAGR: ~3.0%) driven by the Asia railway connection, when the demand situation and price levels in the Baltic region have normalized. As the relative share of the railway connection increases in the Group's net sales, we expect the company's EBIT margin to remain at a good level also in the longer term (2024e-2030e: 7.5-9.5%), as profitability falls toward the end of the estimate period due to tightening competition.

We point out that considering the Asia railway connection and the development phase of this market, there is a significant estimate risk in both directions. We believe the railway connection has many positive drivers, such as its speed compared to conventional sea freight and the increasing demands for responsibility, which give the company good preconditions for beating our estimates. However, at such an early stage of the railway connection we are not yet ready to lock our estimates on this potential, but we will be watching this development also after the normalization of the logistics market.

Income statement

Income statement	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21	2021	2022	2023	2024
Revenue	**34.5**	**34.8**	**69.3**	**36.5**	**44.2**	**80.7**	**63.0**	**71.4**	**134**	**146**	**146**	**149**
Group	34.5	34.8	69.3	36.5	44.2	80.7	63.0	71.4	134	146	146	149
EBITDA	**1.0**	**1.5**	**2.5**	**2.1**	**2.7**	**4.8**	**5.1**	**7.1**	**12.3**	**16.5**	**16.6**	**16.9**
Depreciation	-2.7	-8.3	-11.0	-2.6	-2.4	-5.0	-1.4	-1.4	-2.8	-2.7	-2.6	-2.5
EBIT (excl. NRI)	**-1.1**	**-0.8**	**-1.9**	**-0.5**	**0.9**	**0.4**	**4.6**	**6.6**	**11.2**	**13.8**	**14.0**	**14.4**
EBIT	**-1.7**	**-6.8**	**-8.5**	**-0.5**	**0.3**	**-0.2**	**3.7**	**5.7**	**9.4**	**13.8**	**14.0**	**14.4**
Group	-1.7	-6.8	-8.5	-0.5	0.3	-0.2	3.7	5.7	9.4	13.8	14.0	14.4
Net financial items	-1.2	-1.2	-2.4	-1.0	-1.3	-2.3	-1.1	-0.7	-1.8	-1.4	-1.3	-1.2
PTP	**-2.9**	**-8.0**	**-10.9**	**-1.5**	**-1.0**	**-2.5**	**2.6**	**5.0**	**7.7**	**12.3**	**12.7**	**13.2**
Taxes	-0.3	-0.3	-0.6	-0.1	-0.2	-0.4	-0.4	-1.0	-1.4	-2.5	-2.5	-2.6
Minority interest	-0.8	-0.7	-1.5	-0.6	-0.7	-1.3	-1.2	-0.8	-2.0	-1.4	-1.3	-1.2
Net earnings	**-3.9**	**-9.0**	**-12.9**	**-2.2**	**-2.0**	**-4.2**	**1.1**	**10.6**	**11.7**	**8.4**	**8.8**	**9.4**
EPS (adj.)	**-0.07**	**-0.07**	**-0.14**	**-0.05**	**-0.03**	**-0.08**	**0.03**	**0.06**	**0.09**	**0.13**	**0.14**	**0.15**
EPS (rep.)	**-0.09**	**-0.20**	**-0.29**	**-0.05**	**-0.04**	**-0.09**	**0.01**	**0.14**	**0.15**	**0.11**	**0.11**	**0.12**

Key figures	H1'19	H2'19	2019	H1'20	H2'20	2020	H1'21	H2'21	2021	2022	2023	2024
Revenue growth-%	-15.1 %	-9.1 %	-12.2 %	5.8 %	27.0 %	16.5 %	72.6 %	61.4 %	66.5 %	8.4 %	0.5 %	1.9 %
Adjusted EBIT growth-%	-269.4 %	-434.5 %	-316.2 %	-53.1 %	-207.3 %	-120.7 %	-1020.0 %	640.6 %	2748.0 %	22.6 %	1.4 %	3.3 %
EBITDA-%	2.9 %	4.4 %	3.7 %	5.7 %	6.2 %	6.0 %	8.1 %	10.0 %	9.1 %	11.3 %	11.3 %	11.3 %
Adjusted EBIT-%	-3.1 %	-2.4 %	-2.7 %	-1.4 %	2.0 %	0.5 %	7.3 %	9.3 %	8.4 %	9.4 %	9.5 %	9.7 %
Net earnings-%	-11.4 %	-25.8 %	-18.6 %	-6.0 %	-4.4 %	-5.2 %	1.7 %	14.9 %	8.7 %	5.8 %	6.0 %	6.3 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	**39.1**	**51.2**	**56.0**	**52.6**	**49.1**
Goodwill	0.9	0.9	0.9	0.9	0.9
Intangible assets	1.9	1.7	1.7	1.7	1.7
Tangible assets	35.8	48.1	46.3	44.6	43.0
Associated companies	0.2	0.2	0.2	0.2	0.2
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.2	0.2	0.2	0.2
Deferred tax assets	0.0	0.0	6.7	5.0	3.1
Current assets	**13.0**	**15.0**	**24.6**	**29.6**	**34.3**
Inventories	0.1	0.1	0.1	0.1	0.1
Other current assets	0.9	0.9	0.0	0.0	0.0
Receivables	7.8	9.6	17.7	21.6	23.3
Cash and equivalents	4.2	4.5	6.7	7.9	10.8
Balance sheet total	**52.1**	**66.2**	**80.6**	**82.2**	**83.4**

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	**0.8**	**13.8**	**24.2**	**31.1**	**37.7**
Share capital	4.2	4.2	4.2	4.2	4.2
Retained earnings	-35.5	-39.5	-27.8	-20.9	-14.4
Hybrid bonds	1.5	1.3	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	28.9	38.0	38.0	38.0	38.0
Minorities	1.7	9.8	9.8	9.8	9.8
Non-current liabilities	**40.1**	**39.0**	**40.1**	**34.0**	**28.1**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	39.9	38.8	40.0	33.8	27.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.2	0.2	0.2	0.2	0.2
Current liabilities	**11.2**	**13.4**	**17.6**	**18.5**	**18.6**
Short term debt	3.1	1.8	1.9	1.5	1.5
Payables	7.8	10.9	15.5	16.8	16.8
Other current liabilities	0.2	0.7	0.2	0.2	0.2
Balance sheet total	**52.1**	**66.2**	**82.0**	**83.6**	**84.3**

Investment profile 1/2

Nurminen is profiled as a turnaround company with the goal to become a growth company

In the short term, we feel Nurminen is still profiled as a turnaround company. The company has faced several years of loss, but over the last good 12 months the company's direction has started to turn fast and in H1'21 the company's net result turned positive. On the operational side, this is mainly due to the increased profitability in the Terminal business thanks to real estate arrangements and efficiency measures, as well as to the Asia railway connection that has achieved strong growth supported by both increased volumes and higher cargo prices. In our opinion, the company can change into a full-fetched growth company thanks to the healthy cost structure, if there are no significant changes in the operating environment in the short term. In addition, the company aims to carry out acquisitions to support the Asia railway connection, which will enable further acceleration of growth.

Currently, we assume that the Asia railway connection that is at the heart of Nurminen's investment story will continue to grow in future. However, estimating the growth rate is very challenging, as the company is creating a new market through the railway connection and the development of this market is also difficult to assess, partly because of the logistics market that has been muddled by COVID. In addition, the normalization of sea freight raises questions concerning growth due to the normalization of cargo prices and possibly resulting customer behavior. On the other hand, in the light of current information, increasing regulation is likely to support the company's attractiveness from the responsibility perspective.

Value drivers and potential

Growth in China and Asia railway connection: At present, the company's clearest growth driver is the high-potential railway connection to China and Asia, which offers the company plenty of room to grow. If the company succeeds in its growth and profitability targets that rely heavily on growth in the railway connection, it can rise to a new size class in terms of net sales. The main drivers of the railway connection are its speed compared to sea freight and increasing responsibility and environmental requirements (EU's taxonomy, reporting requirements of Scope 3 emissions under EU's NFR directive).

Sustainable growth in profitability: The evidence of Nurminen's earnings turnaround is still short, but the company has preconditions for a sustainable turnaround with the strong growth of the Asia railway connection and rationalization of the cost structure. In our view, the profitability turnaround is on a relatively stable base if there is no surprising and rapid slowdown in the global economy. Improved profitability will make the company's balance sheet healthier already in a relatively short term. Considering this overall picture, the company's risk level is decreasing in our opinion.

Corporate restructuring: In connection with releasing its financial targets, the company announced that it is reviewing acquisition possibilities in the current strategy period to support the growth of the Asia railway connection, especially in China. We believe that through acquisitions, the company will be able to further accelerate its growth and build the foundation for strong long-term growth.

Change in the valuation picture: Currently, the company is still valued on the market with turnaround company multiples, but as growth and the earnings turnaround continue, higher growth company multiples could be accepted for the company.

Risks and weaknesses

Faltering growth in the Asia railway connection: We believe that failing in the growth of the Asia railway connection that is at the center of the company's investment story is Nurminen's biggest risk. We consider that growth of the Asia railway connection is a prerequisite for sustainable earnings growth. Consequently, a slowdown or decline in growth would clearly reduce the company's value creation potential and, in the worst case, push the net result into red if the railway connection volumes were to decline. For example, the normalization in the operating environment of sea freight and simultaneously a falling price level for sea freight could lead to this, which could redirect customer demand back to a significantly cheaper transport option under normal conditions. We do not consider the worst scenario likely, but there is still uncertainty linked to the growth rate of the railway connection due to the early development stage of the market.

Investment profile 2/2

Market risks: The company's volumes are strongly linked to the development of exports and imports in its market areas, which are strongly linked to global economic development. A cooling economy could, in turn, at least significantly slow down the development of the Asia railway connection, which would impact Nurminen's growth profile and thus the valuation. The company's development is now less linked to the development of Finnish exports, as the growth driver is especially to win market shares from more conventional sea freight. However, the development of Finnish exports has among Nurminen’s customers an impact especially on the competitiveness of smaller export companies.

Customer risks: We believe that the company's net sales currently lean heavily on the export and import volumes of the forest, engineering and chemical industries, which are partly dependent on the general economic cycle. The cyclical nature of these industries is also inevitably reflected in Nurminen’s volumes in its various businesses, although seasonal variations can be balanced with growth in the Asia railway connection and more customers.

Competitive situation: Due to the low barriers to entry, the logistics sector has a relatively high level of competition, especially in Forwarding. Tight competition also puts pressure on companies' profitabilities. The company's attractive outlook of the Asia railway route can also generate interest in competing options, which could put pressure on the company's volumes and price levels. However, there are currently no noteworthy competitors on the route operated by the company and we believe ramping up the route to a significant size would take several years.

Personnel risks: The company's comprehensive service offering requires considerable expertise from the personnel and we understand that there is a lack of comprehensive skills on the labor market. The situation becomes emphasized for the company's Asia railway connection, where international relations are also important. As a result, losing expertise or relationships to outside the company could lead to points of discontinuity.

Reporting: In recent years Nurminen has not reported profitability levels for its business activities, which makes it somewhat difficult to monitor the company's development and for efficient share valuation, as this would allow better valuation of the different businesses. In addition, the company has not reported net sales of its business activities for H2 in 2019-2020, which makes volume development monitoring difficult.

Valuation 1/3

Valuation methods

When valuing Nurminen Logistics' share, we currently weight earnings-based valuation highest. Due to large minority interests, the only relevant indicator at present is the net earnings-based P/E ratio. We also use a sum of the parts calculation to support the valuation, which we feel accounts for the profiles of various businesses. However, the challenge for our sum of the parts calculation is that there is no exact information about the profitability or net sales levels of the company's various businesses for recent years.

We also use the DCF calculation that considers the long-term potential of the company to support our valuation, but it is quite sensitive to the assumptions used in it. In addition, we had to adapt the calculation so that significant minorities and the value of the Vuosaari property are taken into account in the calculation and the calculation should be seen more as indicative. By contrast, we do not give much weight to relative valuation for Nurminen, as the peer group consists mainly of significantly bigger logistics companies with very different business profiles and growth templates compared to Nurminen's Asia railway connection.

Absolute valuation multiples

The challenge for Nurminen's shareholders is that so far, a significant share of the Group's operating profit is made up of Baltic businesses with significant minority owners holding 49% of the businesses. In addition, the ownership structure of the Vuosaari terminal after the real estate arrangement (51% owned by Nurminen) increases the minority share.

Therefore, in practice, the only relevant earnings-based valuation indicator is, for the time being, the P/E ratio. As the earnings share of the Asia railway connection continues to grow, other earnings-based valuation ratios may also become more significant. We believe the acceptable valuation range currently for the company measured by the adjusted P/E ratio is approximately 11-14x. Considering the growth outlook and potential of the railway connection to China and Asia, we do not feel the multiple range is unreasonable. However, at the moment, the valuation is still partly depressed by the significant share of other businesses, and the exceptional situation in the logistics market, both in terms of demand and prices, which has also been strongly reflected in the company's recent growth. For these reasons, we believe that it is justified to continue to value the share with a discount compared to the longer-term average of Nasdaq Helsinki. Thus, we will not start to stretch the acceptable valuation at this stage but will continue to monitor how the company's business operations will develop as the operating environment gradually normalizes. As the company's financial situation improves, but so far, due to a rather short profitability turnaround, we can see a gradual upside in this multiple range if the growth story of the Asia railway connection remains on track.

Nurminen Logistics' valuation multiples

Valuation	2021e	2022e	2023e
Share price	1.53	1.53	1.53
Number of shares, millions	77.1	77.1	77.1
Market cap	118	118	118
EV	165	157	149
P/E (adj.)	17.4	11.6	11.0
P/E	10.1	14.0	13.3
P/B	8.2	5.5	4.2
P/S	0.9	0.8	0.8
EV/Sales	1.2	1.1	1.0
EV/EBITDA	13.4	9.5	9.0
EV/EBIT (adj.)	14.7	11.4	10.6
Payout ratio (%)	13.2 %	27.4 %	34.9 %
Dividend yield-%	1.3 %	2.0 %	2.6 %

Source: Inderes

Valuation 2/3

With our current estimates, the company's adjusted P/E ratios are about 17x and 12x for 2021 and 2022. The company's earnings-based valuation is slightly elevated this year but looks attractive already in light of the earnings growth we estimate for next year. At this point of the year the market also starts to increasingly look at next year's earnings expectations, where our estimates of continued strong growth in the Asia railway connection are concretely reflected.

With our estimates for next year, a neutral valuation of the share would, in our opinion, be EUR 1.4-1.8 per share. The current EUR 1.53 market price is below the middle of the range and we believe that the share will offer upside when looking into next year. We also expect that investors will receive a base return of some 1-3% from dividend in the coming years.

Sum of the parts calculation

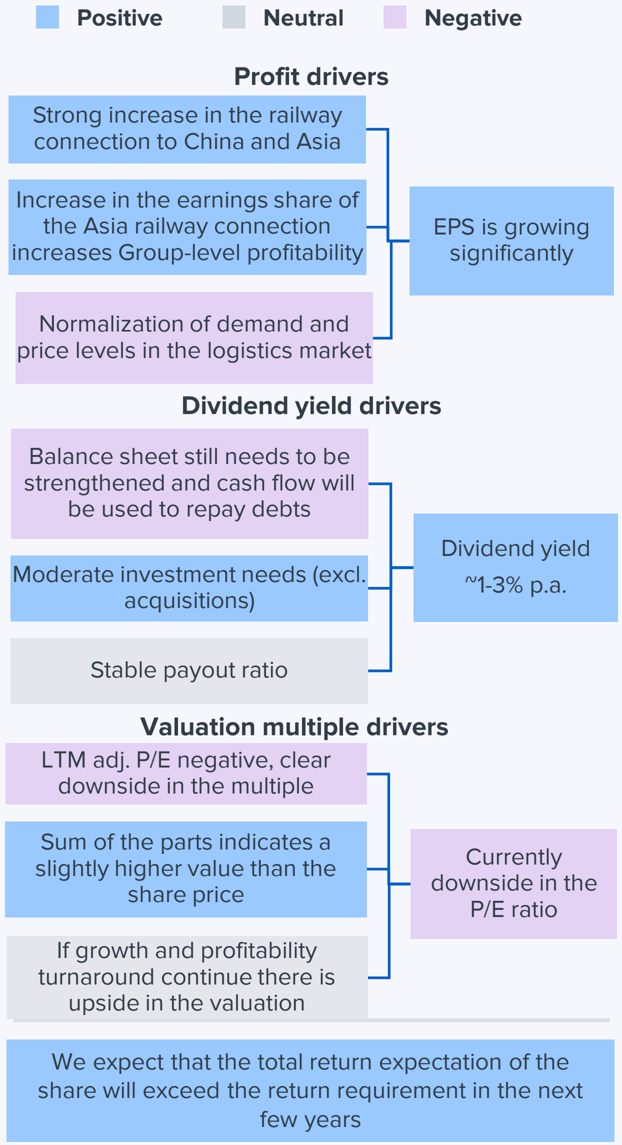
In our opinion, the sum of the parts calculation is suitable for Nurminen's valuation, as it considers the different long-term growth and profitability outlooks of the company's business operations. Using the model is, however, challenging because there is no precise data on the profitability or net sales of different business areas in recent years.

In our rough sum of the parts calculation we price the Baltic operations and Forwarding business with a 1.0x EV/S ratio, while the ratios we use for the China and Asia railway connection with a better growth outlook are 1.5x-2.0x. For the Terminal business we apply a 0.5x ratio. Due to its early stage, Outsourcing services have little relevance to the calculation.

In the sum of the parts calculation, we use our net sales estimates for 2021-2022. For the Baltic business we, however, use the actual 2020 net sales (only segment for which net sales for 2020 was reported) as the lower limit to which increased prices and exceptionally strong demand have not yet been reflected. Using this, and the different valuation multiples of the Asia railway connection in the sum of the parts calculation we reach an EV of EUR 120-153 million from which the Baltic minority share has been removed. By deducting the EUR 12.2 million interest-bearing net debt excluding the Vuosaari real estate company at the end of H1'21, the company's market value is EUR 108-140 million or some EUR 1.4-1.8 per share. In our model, we assume that the value of the property owned by the real estate company is equivalent to the lease liabilities and other liabilities directed at it.

Due to the lack of data, we believe that the sum of the parts calculation is only indicative, but on the other hand, we believe that it shows that the company's share price rise this year is justified, if we are confident that the strong growth of the Asia railway connection will continue in the future and that the company's profitability turnaround is sustainable over time. We are confident about both factors, because we believe in the competitiveness of the railway connection and, on the other hand, the most important step in terms of the profitability turnaround was taken when buying the real estate company in Vuosaari.

Share's expected return 2021-2023



Source: Inderes

Valuation 3/3

DCF calculation

In our opinion, the cash flow model is not a particularly good valuation method for Nurminen at the company's current development stage, where the relative shares of the different businesses are expected to change significantly during the estimate period. The DCF model is very sensitive to terminal estimates and there is a great deal of uncertainty in the long-term projections of the Asia railway connection. In addition, the model does not fully consider significant minority interests in the Baltic businesses and the Vuosaari properties, which due to the present corporate structure and distribution of income in Nurminen poses challenges for the usability of the calculation. However, we use the modified DCF calculation to support the valuation, because we believe that it best reflects the long-term potential of the railway connection, even though the changes we have made do not fully address the challenges of the Group structure.

In the modified DCF model, we have valued the Baltic minorities on a market value basis and the Vuosaari property is dealt with, as in the sum of the parts calculation (the value of the Vuosaari property corresponds with the liabilities directed at it). We have determined the market value of the Baltic minorities using the 2020 minority income share (we expect the share to return to this level), which we have valued with a P/E ratio of 10x due to limited longer-term business growth outlook and high risk profile (cyclicality, ownership structure, personnel risks). In addition, we have taken the ownership structure of Vuosaari into account by increasing the share of minorities by around EUR 3 million (we do not know the exact income share, but we assume the income share of the minorities associated to the real estate company will be very low on an annual level). In terms of net liabilities, we have used the situation at the end of H1'21 without the Vuosaari real estate company (12.2 MEUR).

In our valuation model, the company's net sales growth will stabilize in the long term at around 3% and EBIT margin to be 7.5-9.5%. We have set terminal growth at 2% and profitability at 7.5%. The cost of capital (WACC) used in the model is 8.4% and the cost of equity is 10.0%, reflecting the uncertainty surrounding the thus far short profitability turnaround and the growth of the Asia railway connection. The value indicated by our DCF model is some EUR 1.8 per share and the weight of the terminal period in cash flows is at a moderate level of 48%. Therefore, we do not believe that the model is very aggressive and supports our view of the company's long-term potential, while considering that our current medium-term growth estimates are well below the company's financial targets.

Relative valuation is not relevant

The comparability of the relative valuation is significantly impaired by the poor comparability of EV-based multiples. The fragmentation of the peer group valuation also causes problems in using the peer group, even though the companies are operating in some of the same pockets of the logistics market. Measured by the P/E ratio, Nurminen is valued at a clear discount to its peers, but this is partially justified considering the clearly bigger size and stronger history of the peers. On the other hand, the peer group valuation also supports our assessment of the upside in the acceptable valuation as the profitability turnaround and the growth of the Asia railway connection continue.

Target price and rating

We raise our target price for Nurminen Logistics to EUR 1.70 (previously 1.10) and raise our recommendation to Accumulate (previous Reduce). We believe that the strong development of the company's Asia railway connection and the profitability turnaround achieved over the past year, as well as the improved balance sheet position, provide a good base for the company to take its growth story to the next level. We expect, the company's total return expectation to rise to double-digit figures for the next few years at the current share price, which, combined with the long-term potential, will encourage investors to jump on board the company's turnaround and growth story. However, we believe that Nurminen is still categorically a turnaround company, so the investor must be able to face a certain degree of risk when investing in the company, because if growth of the Asia railway connection hits a rut, the company's other business activities do not provide the same supporting fire for the share.

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	0.57	0.55	0.25	0.27	0.45	**1.53**	**1.53**	**1.53**	**1.53**
Number of shares, millions	14.5	43.9	44.3	44.3	44.6	**77.1**	**77.1**	**77.1**	**77.1**
Market cap	8.3	24	11	12	20	**118**	**118**	**118**	**118**
EV	31	38	19	28	105	**165**	**157**	**149**	**139**
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	**17.4**	**11.6**	**11.0**	**10.3**
P/E	neg.	neg.	neg.	neg.	neg.	**10.1**	**14.0**	**13.3**	**12.6**
P/B	1.5	1.8	0.9	neg.	5.0	**8.2**	**5.5**	**4.2**	**3.5**
P/S	0.2	0.3	0.1	0.2	0.2	**0.9**	**0.8**	**0.8**	**0.8**
EV/Sales	0.6	0.5	0.2	0.4	1.3	**1.2**	**1.1**	**1.0**	**0.9**
EV/EBITDA	62.3	10.9	9.7	11.1	21.8	**13.4**	**9.5**	**9.0**	**8.2**
EV/EBIT (adj.)	neg.	18.6	22.1	neg.	>100	**14.7**	**11.4**	**10.6**	**9.6**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**13.2 %**	**27.4 %**	**34.9 %**	**35.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**1.3 %**	**2.0 %**	**2.6 %**	**2.8 %**

Source: Inderes

Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		**MEUR**	**MEUR**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**
Kuehne + Nagel	289.70	32803	33208	13.9	14.5	10.7	10.9	1.2	1.1	18.8	20.5	3.1	2.9	10.1
DSV	1542.00	49583	53227	24.4	21.0	19.1	16.5	2.2	1.9	30.5	27.3	0.5	0.5	6.1
Hapag Lloyd	211.80	37999	39053	3.6	3.9	3.1	3.1	1.5	1.3	4.2	6.8	12.7	9.2	2.6
Xpediator	58.50	100	139	13.0	11.5	6.5	6.1	0.5	0.4	13.8	13.1	2.9	3.1	
Id Logistics	332.50	1872	2338	30.2	24.8	9.2	8.1	1.2	1.1	48.3	39.4			7.4
Nurminen Logistics (Inderes)	**1.53**	**118**	**165**	**14.7**	**11.4**	**13.4**	**9.5**	**1.2**	**1.1**	**17**	**12**	**1.3**	**2.0**	**8.2**
Average				**17.0**	**15.1**	**9.7**	**9.0**	**1.3**	**1.2**	**23.1**	**21.4**	**4.8**	**3.9**	**6.6**
Median				**13.9**	**14.5**	**9.2**	**8.1**	**1.2**	**1.1**	**18.8**	**20.5**	**3.0**	**3.0**	**6.8**
Diff-% to median				***6%***	***-21%***	***46%***	***17%***	***-1%***	***-3%***	***-8%***	***-43%***	***-56%***	***-35%***	***21%***

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

DCF calculation

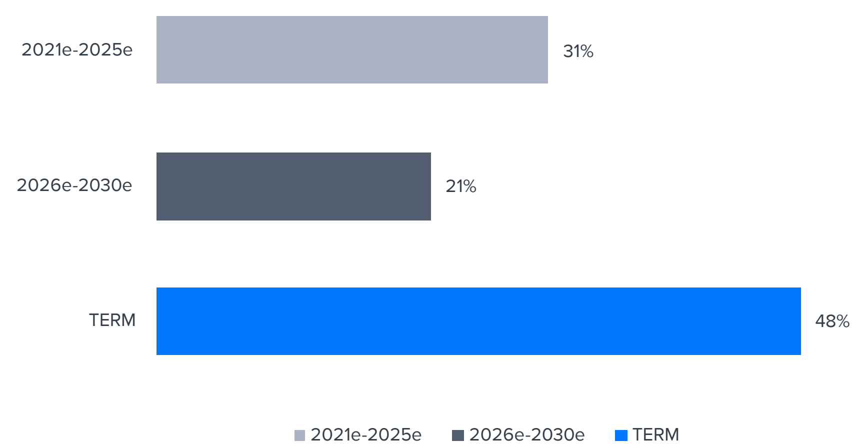
DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	**-0.2**	**9.4**	**13.8**	**14.0**	**14.4**	**14.7**	**15.3**	**15.0**	**13.8**	**13.2**	**13.5**	
+ Depreciation	5.0	2.8	2.7	2.6	2.5	2.3	2.1	2.1	2.0	2.0	2.0	
- Paid taxes	-0.4	-8.1	-0.7	-0.7	-0.6	-0.6	-1.4	-2.6	-2.6	-2.5	-2.5	
- Tax, financial expenses	0.3	-0.3	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	1.8	-3.3	-2.5	-1.6	-0.1	-0.1	0.4	-0.1	0.0	-0.2	-0.1	
Operating cash flow	**6.6**	**0.5**	**12.9**	**14.0**	**15.9**	**16.3**	**16.3**	**14.3**	**13.0**	**12.4**	**12.6**	
+ Change in other long-term liabilities	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-17.1	-1.0	-1.0	-1.0	-1.0	-1.0	-1.1	-1.2	-1.2	-1.2	-2.0	
Free operating cash flow	**-10.5**	**-0.5**	**11.9**	**13.0**	**14.9**	**15.3**	**15.2**	**13.1**	**11.8**	**11.2**	**10.6**	
+/- Other	0.0	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-10.5	6.9	11.9	13.0	14.9	15.3	15.2	13.1	11.8	11.2	10.6	175
Discounted FCFF		**6.9**	**10.9**	**11.0**	**11.6**	**10.9**	**10.0**	**8.0**	**6.6**	**5.8**	**5.1**	**80.8**
Sum of FCFF present value		168	161	150	139	127	116	106	98.4	91.7	85.9	80.8

Enterprise value DCF	**168**
- Net debt without Vuosaari real estate company	-12
-Minorities	-16
-Dividend/capital return	0.0
Equity value DCF	**140**
Equity value DCF per share	**1.8**

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	35.0 %
Cost of debt	7.0 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	1.30%
Risk free interest rate	2.0 %
Cost of equity	**10.0 %**
Weighted average cost of capital (WACC)	**8.4 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2018	2019	2020	2021e	2022e
Revenue	78.9	69.3	80.7	**134.4**	**145.7**
EBITDA	2.0	2.5	4.8	**12.3**	**16.5**
EBIT	-6.0	-8.5	-0.2	**9.4**	**13.8**
PTP	-7.4	-10.9	-2.5	**7.7**	**12.3**
Net Income	-8.8	-12.9	-4.2	**11.7**	**8.4**
Extraordinary items	-6.9	-6.6	-0.6	**-1.8**	**0.0**

Balance sheet	2018	2019	2020	2021e	2022e
Balance sheet total	41.5	52.1	66.2	**82.0**	**83.6**
Equity capital	13.2	0.8	13.8	**24.2**	**31.1**
Goodwill	6.0	0.9	0.9	**0.9**	**0.9**
Net debt	7.3	38.8	36.1	**33.8**	**26.0**

Cash flow	2018	2019	2020	2021e	2022e
EBITDA	2.0	2.5	4.8	**12.3**	**16.5**
Change in working capital	-2.0	1.1	1.8	**-3.3**	**-2.5**
Operating cash flow	-0.5	3.4	6.6	**0.5**	**12.9**
CAPEX	-0.6	-31.2	-17.1	**-1.0**	**-1.0**
Free cash flow	-1.1	0.4	-10.5	**6.9**	**11.9**

Valuation multiples	2018	2019	2020	2021e	2022e
EV/S	0.2	0.4	1.3	**1.2**	**1.1**
EV/EBITDA (adj.)	9.7	11.1	21.8	**13.4**	**9.5**
EV/EBIT (adj.)	22.1	neg.	>100	**14.7**	**11.4**
P/E (adj.)	neg.	neg.	neg.	**17.4**	**11.6**
P/B	0.9	neg.	5.0	**8.2**	**5.5**
Dividend-%	0.0 %	0.0 %	0.0 %	**1.3 %**	**2.0 %**

Source: Inderes

Per share data	2018	2019	2020	2021e	2022e
EPS (reported)	-0.20	-0.29	-0.09	**0.15**	**0.11**
EPS (adj.)	-0.04	-0.14	-0.08	**0.09**	**0.13**
OCF / share	-0.01	0.08	0.15	**0.01**	**0.17**
FCF / share	-0.03	0.01	-0.24	**0.09**	**0.15**
Book value / share	0.27	-0.02	0.09	**0.19**	**0.28**
Dividend / share	0.00	0.00	0.00	**0.02**	**0.03**

Growth and profitability	2018	2019	2020	2021e	2022e
Revenue growth-%	4%	-12%	16%	**66%**	**8%**
EBITDA growth-%	-42%	27%	89%	**155%**	**34%**
EBIT (adj.) growth-%	-57%	-316%	-121%	**2748%**	**23%**
EPS (adj.) growth-%	123%	236%	-44%	**-210%**	**50%**
EBITDA-%	2.5 %	3.7 %	6.0 %	**9.1 %**	**11.3 %**
EBIT (adj.)-%	1.1 %	-2.7 %	0.5 %	**8.4 %**	**9.4 %**
EBIT-%	-7.7 %	-12.3 %	-0.3 %	**7.0 %**	**9.4 %**
ROE-%	-69.2 %	-231.9 %	-269.9 %	**127.0 %**	**47.2 %**
ROI-%	-18.3 %	-22.4 %	-0.4 %	**15.6 %**	**20.8 %**
Equity ratio	31.7 %	1.5 %	20.9 %	**29.6 %**	**37.2 %**
Gearing	55.8 %	4845.8 %	261.4 %	**139.6 %**	**83.7 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
09-01-18	Reduce	0.56 €	0.58 €
09-03-18	Reduce	0.52 €	0.54 €
06-06-18	Reduce	0.50 €	0.49 €
10-08-18	Reduce	0.42 €	0.45 €
19-12-18	Reduce	0.27 €	0.28 €
11-03-19	Sell	0.27 €	0.35 €
07-08-19	Sell	0.27 €	0.30 €
12-08-19	Sell	0.25 €	0.27 €
09-03-20	Sell	0.25 €	0.28 €
10-08-20	Sell	0.25 €	0.34 €
08-03-21	Sell	0.35 €	0.70 €
04-08-21	Sell	0.45 €	1.16 €
09-08-21	Reduce	1.10 €	1.21 €
	Change of analyst		
19-11-21	Accumulate	1.70 €	1.47 €

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